Public Document Pack

WIRRAL

Audit and Risk Management Committee

Date:	**Monday, 11 January 2021**
Time:	**6.00 p.m.**
Venue:	Virtual

This meeting will be webcast at
https://wirral.public-i.tv/core/portal/home

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AGENDA

1. APOLOGIES FOR ABSENCE

2. 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.

3. 2019/20 STATEMENT OF ACCOUNTS FOR WIRRAL COUNCIL AND MERSEYSIDE PENSION FUND (Pages 1 - 300)

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WIRRAL

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 11 January 2021

REPORT TITLE:	**2019/20 STATEMENT OF ACCOUNTS FOR WIRRAL COUNCIL AND MERSEYSIDE PENSION FUND**
REPORT OF:	**DIRECTOR OF RESOURCES**

REPORT SUMMARY

The Council's constitution allocates responsibility for the approval of the Statement of Accounts to the Audit and Risk Management Committee.

The draft accounts were presented to the Committee on 21st September and then 23rd November, and this report is to bring to the Committee the final Accounts and the Audit Findings Reports. The report also presents the Annual Governance Statement for consideration and approval by the Committee.

The Statement of Accounts sets out the Council's and Merseyside Pension Funds financial positions as at the 31st March 2020 along with a summary of its income and expenditure for the year ended 31st March 2020 and comparative data for the preceding year.

The draft accounts were prepared and submitted for external audit on 27th August 2020. The external auditors Grant Thornton UK LLP, have concluded on the Audit for 2019/20.

This report summarises the changes to the draft Statement of Accounts position, a full set of accounts is appended to this paper (see Appendix 1), Changes to Wirral Council Draft Statement of Accounts 2019/20 (Appendix 2), the External Audit Findings Report for Wirral Council and External Auditors Opinion (Appendix 3 and Appendix 3.1), the External Audit Findings Report for Merseyside Pension Fund in Appendix 4 and the Annual Governance Statement (AGS) (Appendix 5).

RECOMMENDATION/S

The Audit and Risk Management Committee is recommended to:

1. Note the changes to the draft Accounts, and the External Audit Findings Reports for Wirral Council and Merseyside Pension Fund.
2. Approve the final Accounts (Council and Pension Fund) as presenting a true and fair view of the Council's and Pension fund income and expenditure for the year and its overall financial position.
3. Approve the Annual Governance Statement 2019/20.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 The Audit & Risk Management Committee has responsibility for approving the Statement of Accounts and the Annual Governance Statement (AGS) on behalf of the Council, which is a requirement under The Accounts and Audit Regulations 2015 and The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. This update allows the Committee to further comment and allow the publication of the final Accounts.

2.0 OTHER OPTIONS CONSIDERED

2.1 The Statement of Accounts are required to be produced in accordance with statutory guidance. The Accounts are subject to review by the appointed Auditor and must normally be published by 31st July each year. Due to the unprecedented spread of coronavirus this year, the national statutory deadline for publication of local authority accounts was extended to 30th November 2020.

2.2 The Accounts were brought to Committee on 23rd November with an update on the changes and an update by the external auditors Grant Thornton. The accounts now presented are the final Accounts. The audit is substantially complete and any updates will be brought to the Committee on 11th January 2021.

3.0 BACKGROUND INFORMATION

3.1 Preparation and publication of the annual Statement of Accounts is a specific statutory requirement under local government legislation and the Council must provide for this within the predetermined statutory timetable.

3.2 The preparation and publication of annual Accounts provides information that is intended to be of use to a range of stakeholders (including Members, employees, members of the public, government, and investors, etc.) in evaluating the financial performance of the Council and its stewardship of public money.

3.3 The annual Statement of Accounts is required to be compliant with the Chartered Institute of Public Finance and Accountancy (CIPFA)'s Code of Practice on Local Authority Accounting for 2019/20 ("the Code") and applicable International Financial Reporting Standards (IFRSs). The Code establishes "proper" accounting practices under local government legislation, to ensure local authority accounts are prepared consistently with the objective of providing a true and fair view of the authority's financial position, financial performance and cash flows for the year ended 31st March 2020.

3.4 The Accounts published on 27th August are subject to audit. Under the Public Sector Audit Appointments arrangements for Local Government, Grant Thornton UK LLP act as the Councils appointed auditors. The auditor reports on the financial statements and on the Value for Money conclusion, as documented within the Audit Findings Reports, see Appendix 3 and 4.

3.5 The Director of Resources, as the Section 151 Officer, is required to re-certify the presentation of the Statement of Accounts. The regulations require the Accounts to be considered and approved by Members prior to final publication. For Wirral Council, this role is for this Committee. The Accounts must also be signed and dated by the Chair of the Committee prior to publication on the Councils website; with any certificate, opinion or report issued, by Grant Thornton UK LLP.

3.6 The draft Annual Governance Statement (AGS) was considered by Members at the Audit and Risk Management Committee meeting on 21st September 2020 and 23rd November 2020.

3.7 **Amendments to the Statement of Accounts**

3.7.1 Amendments to the financial statements are detailed in Appendix 2 – Changes to Wirral Council Draft Statement of Accounts 2019-20. The amendments set out in this report are reflected in the accounts appended to this report. The Committee is asked to note these amendments and agree to these amendments in the final Statement of Accounts, which have been agreed by officers.

3.7.2 The Statement of Accounts 2019/20 is included in Appendix 1, and reflects the comments made by the auditors and agreed by officers. They include the Merseyside Pension Fund (MPF) Accounts considered by the Pension Committee on 2nd November 2020 and the external auditor Findings Report for the Pension Fund in Appendix 4.

3.7.3 The Committee will be updated at the Audit, Risk and Management Committee meeting on 11th January of the audit work, findings, and alterations to the Statement of Accounts. The AGS, see Appendix 5, has had additional text under section Financial Resilience, page 23 of the report to report the projected deficit and capitalisation directive application to HM Treasury via the Ministry of Housing, Communities and Local Government.

3.8 Audit Findings Reports and Opinion

3.8.1 The final Findings Report for Wirral Council Statement of Accounts will be presented by Grant Thornton to the Committee.

3.8.2 The final Findings Report for MPF was presented by Grant Thornton to the Committee on 23rd November and is appended to this paper in Appendix 4.

3.8.3 The auditor's opinions for the Council and MPF accounts are issued separately, both are for consideration by the Committee and included in the final Audit Findings Reports along with the Letters of Representation.

3.8.4 The Auditors opinion will be included in the audited published Statement of Accounts as soon as practically possible upon approval of the Accounts by the Committee. An unqualified opinion on the Accounts for 19/20 for the Council and MPF accounts is anticipated, with an adverse value for money opinion for the Council Accounts. There have been no changes to the Outturn position presented to Cabinet in July 2020.

3.9 Summary of the Statement of Accounts 2019/20

3.9.1 Comprehensive Income and Expenditure Statement

The following shows the accounting cost in 2019/20 of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. For 2019/20, the deficit, after taking into consideration all accounting adjustments that do not impact on the General Fund (set out in Note 8), operating expenditure and the receipt of taxation and non-specific general grant income. The CIES reports a deficit of £55.78m (2018/19 £49.85m), which is due to the statutory accounting adjustments.

2018/19 (restated)				2019/20		
Expenditure £000	**Income £000**	**Net £000**		**Expenditure £000**	**Income £000**	**Net £000**
20,613	(5,431)	15,182	Economic & Housing Growth	23,024	(7,085)	15,939
135,773	(100,743)	35,030	Business Management	135,473	(118,769)	16,704
0	0	0	Covid-19	109	(220)	(111)
87,498	(27,233)	60,265	Delivery Services	109,463	(31,865)	74,598
330,654	(245,078)	85,576	Childrens Services	333,100	(234,710)	98,390
170,853	(81,631)	89,222	Adult Care & Health	182,918	(92,242)	90,676
745,391	**(460,116)**	**285,275**	**Cost of Services**	**781,087**	**(484,891)**	**296,196**
38,699	(582)	38,117	Other Operating Expenditure	41,312	0	41,312
33,429	(1,497)	31,932	Financing and Investment Income and Expenditure	56,690	(3,770)	52,920
0	(305,477)	(305,477)	Taxation and Non-Specific Grant Income		(334,651)	(334,651)
817,519	**(767,672)**	**49,847**	**Surplus or Deficit on Provision of Services**	**879,089**	**(823,312)**	**55,777**
	(42,728)	(42,728)	Surplus or deficit on revaluation of PPE		(46,549)	(46,549)
	2,042	2,042	Surplus or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure		326	326
	47,956	47,956	Remeasurement of the net defined benefit liability / asset		(98,467)	(98,467)
	7,270	**7,270**	**Other Comprehensive Income and Expenditure**		**(144,690)**	**(144,690)**
851,519	**(760,402)**	**57,117**	**Total Comprehensive Income and Expenditure**	**879,089**	**(968,002)**	**(88,913)**

3.9.2 **Balance Sheet**

This shows the value of the assets and liabilities recognised by the Council as at the 31st March 2020. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. For 2019/20, the Council's assets are valued at £899.35m, offset by liabilities of £901.76m, resulting in net assets of (£2.41m).

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

4.0 FINANCIAL IMPLICATIONS

4.1 The amendments to the Statement of Accounts 2019/20, have not changed the level of General Fund Balance or reserves and provisions as at 31 March 2020 which remains as reported to Cabinet on 27 July 2020.

5.0 LEGAL IMPLICATIONS

5.1 The Statement of Accounts have been completed in accordance with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. It is a legal requirement to publish the Statement of Accounts. This would ordinarily be completed by 31st July; due to the Coronavirus this deadline was extended under regulation to 30th November 2020. As the audit was not concluded upon by that date, the Council issued a public notice explaining the reasons for this under Section 10.2a. 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 2015.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 None arising directly from this report.

7.0 RELEVANT RISKS

7.1 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices. Failure to do so could result in qualification of the accounts, which may lead to further audit costs.

7.2 If any concerns identified by Grant Thornton are not addressed by the Council then there is a risk that the Council will not be able to meet its statutory requirements in respect to the Statement of Accounts as well as impacting upon the Value for Money and Financial Resilience of the Council and the Council's reputation.

8.0 ENGAGEMENT/CONSULTATION

8.1 The draft unaudited Statement of Accounts for 2019/20 where available for public inspection, the deadline for this was 12th October. The Council did not receive any responses. The Annual Governance Statement has been approved by the Senior Leadership Team and signed by the Chief Executive and Council Leader.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.

9.2 There are no equality implications arising specifically from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 No direct implications. The content and/or recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

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APPENDICES
Appendix 1 – Wirral Council Statement of Accounts 2019-20
Appendix 2 – Changes to Wirral Council Draft Statement of Accounts 2019-20
Appendix 3 – Wirral Council External Audit Findings Report 2019-20
Appendix 3.1 – Wirral Council External Auditors Opinion 2019-20
Appendix 4 - Merseyside Pension Fund External Audit Findings Report 2019-20
Appendix 5 – Wirral Council Annual Governance Statement 2019-20

BACKGROUND PAPERS
Terms of Engagement
External Audit Plan

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee – Statement of Accounts for 2019/20 for Wirral Council & Merseyside PF	23rd November 2020
Audit & Risk Management Committee – Statement of Accounts for 2019/20 for Wirral Council & Merseyside PF	21st September 2020
Audit & Risk Management Committee – Statement of Accounts for 2018/19 for Wirral Council & Merseyside PF	23rd September 2019
Audit & Risk Management Committee – Statement of Accounts for 2017/18 for Wirral Council & Merseyside PF	23rd July 2018
Audit & Risk Management Committee – Statement of Accounts for 2016/17 for Wirral Council & Merseyside PF	25th September 2017

Wirral Council
Statement of Accounts 2019/20

WIRRAL

Contents

Narrative Report

Narrative Report

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

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

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

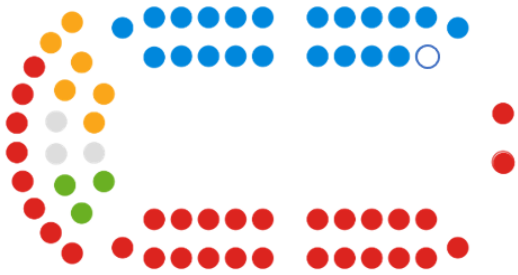
1. About Wirral

Home to 322,796 residents, Wirral has a relatively high older population and a relatively low proportion of people in their twenties and thirties compared to England and Wales as a whole. The older population (aged 65 or above) are expected to increase at a faster rate than any other age group over the next decade, which is consistent with national statistics. Wirral is a unique place; a combination of beautiful, rural countryside alongside cutting edge technology and advanced manufacturing industries, it has a long and storied history of entrepreneurialism and culture. Wirral is a compact peninsula of 60 square miles, with a wealth of parks and countryside and over 20 miles of coastline.

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

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

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



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

Council Structures and Operating Model

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

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

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

Business Management:

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

Delivery Services:

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

Economic and Housing Growth:

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

Adult Care and Health:

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

Children's Services:

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

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

2. Strategic Priorities

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

- People,
- Business and
- Environment.

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

People

Wirral is a place where the vulnerable are safe and protected, every child gets a good start in life and older residents are respected and valued.

Pledges:

1. Older people live well
2. Children are ready for work and adulthood
3. Children are ready for School
4. Vulnerable children reach their full potential
5. Reduce child and family poverty
6. People with disabilities live independently.
7. Zero tolerance to domestic violence.

Business

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

Pledges:

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

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

Pledges:

15. Leisure and cultural opportunities for all
16. Wirral residents live healthier lives
17. Community services are joined up and accessible
18. Good quality housing that meets the needs of residents
19. Wirral's neighborhoods are safe
20. Attractive local environments for Wirral residents

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

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

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

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

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

Forward Looking Financial Scenario

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

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

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

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

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

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

Coronavirus Pandemic

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

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

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

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

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

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

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

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

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

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

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

Government funding

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

Ofsted Inspection

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

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

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

there "is strong and committed leadership in Wirral Council, and a clear vision for delivering high quality services".

Spending and vacancy freeze

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

Repatriation of British Nationals from Wuhan and Coronavirus Pandemic

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

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

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

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

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

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

The Birkenhead Commercial District

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

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

Pooled Budgets

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

Locally, the primary aims of the pooled fund are:

- Supporting independence in the community by place-based activity,
- Reducing non-elective admissions and reducing residential admissions by providing the right care and support within the community,
- Facilitating earlier hospital discharge.

The pooled budget in 2019/20 was £141m, which included £59m of Better Care Funding.

Changes in the Pension liability

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

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

4. Key Outcomes

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

Transport and Technology Infrastructure Fit for the Future

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

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

Greater Job Opportunities in Wirral

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

155 new small businesses since 2018/19

Leisure and cultural Opportunities for all

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

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

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

As part of the 2015 – 2020 Wirral Plan, the three key themes; People, Business and

Environment contained 20 pledges to measure the success of the intended outcomes. The Pledges for each theme and the associated outcomes that were achieved over the life of the plan that concluded in 2019/20 are included in the table below:

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

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

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

5. Summary of Financial Performance for 2019/20

Revenue expenditure

Revenue expenditure relates to those items that are used within the year on the provision of services to the people of Wirral. Before the start of the financial year, the Council prepares its annual Budget which is approved by Members, which sets out the income and expenditure required during the year to provide services. In March 2019 the Council agreed a net budget of £273.7m for 2019/20, a further £3.5m of reserves was then added to the budget to bring the total budget to £277.2m.

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

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

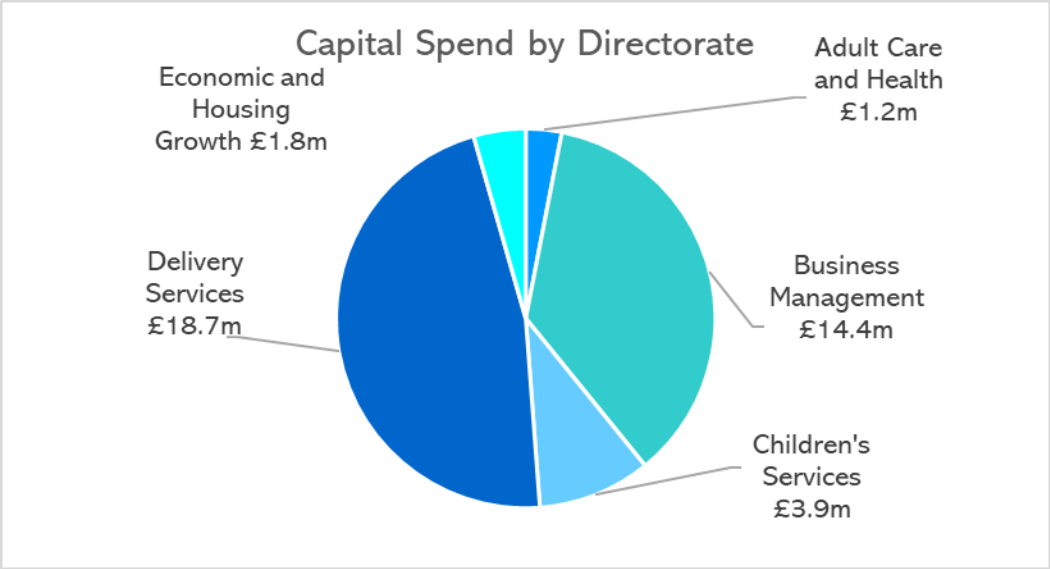
The table below shows the budget and actual spend for each directorate is reported and monitored in year. The Statement of Accounts report the same expenditure and income but in a different format to comply with the statutory external reporting requirements. This incorporates additional costs such as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

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

Capital expenditure

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

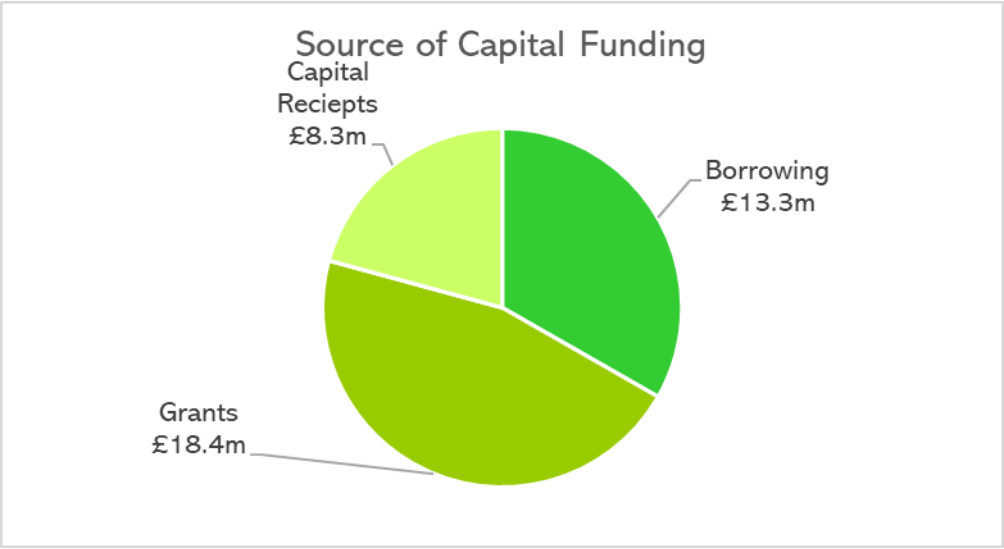
The chart below shows capital spend by directorate:



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

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

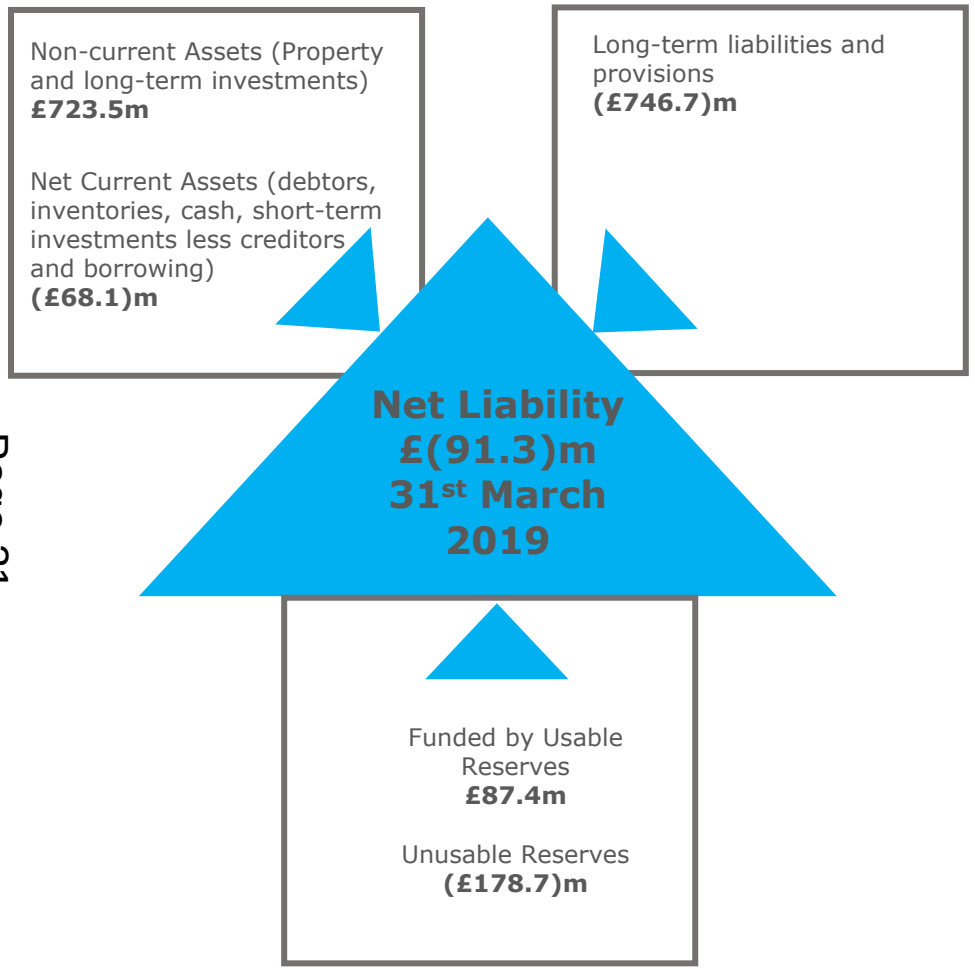
Sources of capital funding are shown in the chart below:

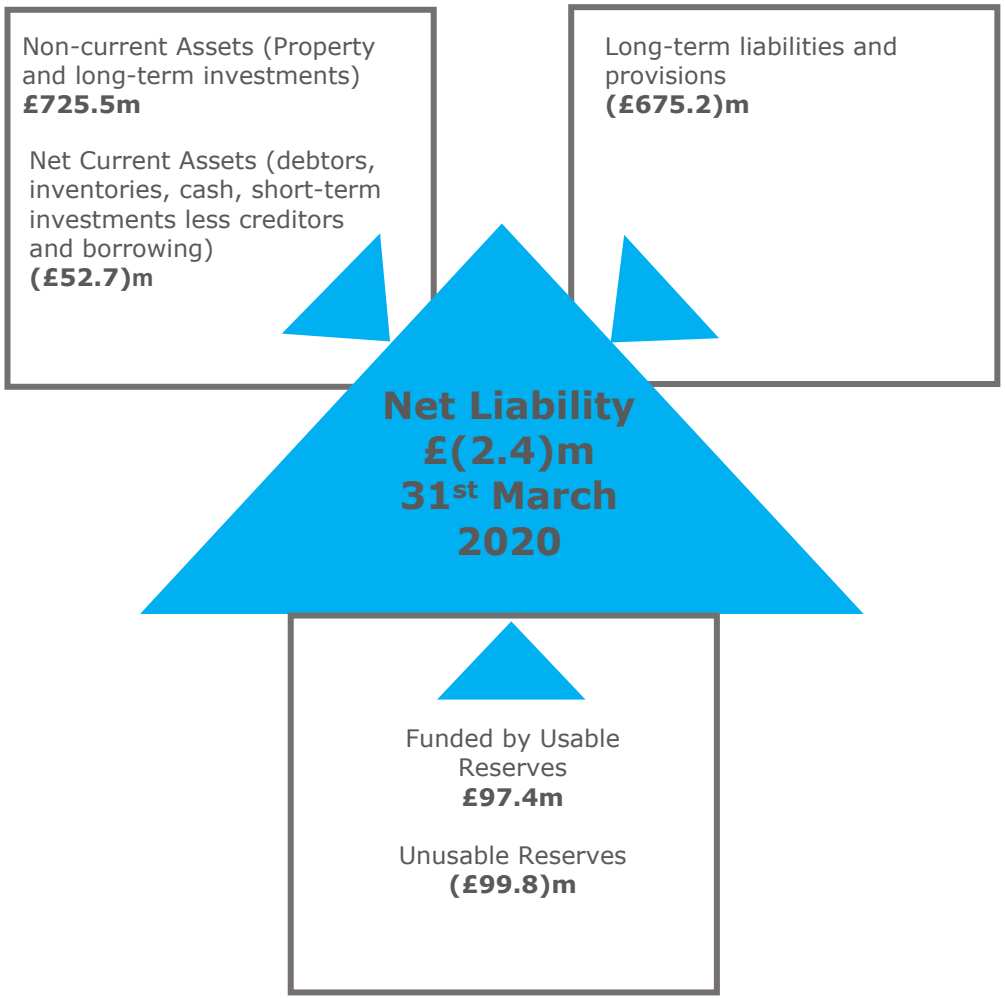


Summary of the Councils Cashflow and Balance Sheet

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

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


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


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

Long Term Assets

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

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

Current Assets / Liabilities

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

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

Long Term Liablities

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

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

Reserves

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

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

6. About the Statement of Accounts

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

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

- The Council has made a change to its Capital receipts policy. Sales of assets give rise to capital receipts if the receipts are greater than or equal to £10,000. These are recorded on an accrual basis, and if required, are divided into a reserved part (based on applicable statutory requirements) and a usable part (the balance). Receipts under £10,000 in value remain as credits within the General Fund. The Secretary of State has determined that, under provisions included in the Local Government Act 2003, the Council is required to pay over to the Ministry for Communities and Local Government a proportion of receipts derived from the disposal of housing land. The Council has and continues to use the flexibilities over the use of capital receipts to support a range of transformational activities.
- There are no other new accounting policies for 2019/20.
- The Council reviews annually any interests in companies and other entities for any financial arrangements that may require the production of Group Accounts. In 2019/20 there were no material transactions that require this.

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

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

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

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

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

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

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

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

Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certification of the Accounts

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

Shaer Halewood
Chief Finance Officer
Director of Resources (S151 Officer)
XX January 2021

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Core Financial Statements

Movement in Reserves Statement

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

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

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

Comprehensive Income and Expenditure Statement

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

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

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

Balance Sheet

This shows the value of the assets and liabilities recognised by the Council at the Balance Sheet date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories, usable and unusable reserves. Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

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

Cash Flow Statement

The Cash Flow Statement shows the changes in Cash and Cash Equivalents of the Council during the reporting period.

The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or by raising income from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

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

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

Notes to the Core Financial Statements

Note 1 - Accounting Policies

SIGNIFICANT ACCOUNTING POLICIES

General Principles

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

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

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

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

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

1.0 Accruals of Income and Expenditure

1.1 Revenue Recognition

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

1.2 Income and Expenditure

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

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

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

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

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

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

2.0 Assets Held for Sale

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

3.0 Capital Receipts

Sales of assets give rise to capital receipts if the receipt is greater than or equal to £10,000. These are recorded on an accrual basis and, if required, are divided into a reserved part (based on applicable statutory requirements) and a usable part (the balance). Receipts under £10,000 in value remain as credits within the General Fund.

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

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

4.0 Cash and Cash Equivalents

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

5.0 Employee Benefits

5.1 Benefits payable during employment

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

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

5.2 Termination benefits

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

- the Council's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Termination benefits are often lump-sum payments. The liability for termination benefits is charged on an accrual basis to the CIES when either the Council can no longer withdraw the offer of those benefits or when the Council recognises restructuring costs which involve the payment of termination benefits, whichever is earlier. However, enhanced retirement benefits, paid via the Pension Fund, are charged to the General Fund in accordance with the pension regulations.

5.3 Post-employment benefits

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

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

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

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

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

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

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

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

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

A) **Service Costs**

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

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

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

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

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

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

E) **Administration costs.**

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

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

6.0 Events after the Balance Sheet date

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

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

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

7.0 Fair Value Measurement

Some non-financial assets such as Investment Properties and surplus assets are measured at fair value and financial instruments at amortised costs at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability. A fair value assessment assumes that the transaction to sell the asset or transfer the liability occurs either:

- in the principal market for the asset or liability; *or*
- in the most advantageous market for the asset or liability (if no principal market exists).

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

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

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

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

8.0 Financial Instruments

8.1 Recognition and Measurement

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

8.2 Initial Recognition

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

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

8.3 Initial Measurement

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

8.4 Financial Assets

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

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

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

i. Measured at amortised cost

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

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

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

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

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

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

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

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

8.5 Impairments to Financial Assets Measured at Amortised Cost

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

8.6 Expected Credit Loss Model

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

8.7 Financial Liabilities

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

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

8.8 Instruments entered into before 1 April 2006

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

8.9 Disclosure of the nature and risk arising from Financial Instruments

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

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

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

9.0 Government Grants and Other Contributions

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

Capital grants are treated as income within the CIES, within the Taxation and Non-specific Grant Income and Expenditure Note 12, when the conditions regarding their use are met. A corresponding amount is transferred, as shown in the Movement in Reserves Statement, from the General Fund Balance to the Capital Adjustment Account in the Unusable Reserves Note 26, if the grant has been used to finance capital expenditure in the year, or to the Capital Grants Unapplied Account until it is used. Capital grants with conditions attached are held as receipts in advance in the Capital Grants Unapplied Account until such time as the conditions are met and the grant applied to finance capital expenditure. Where a capital grant has been received but the conditions regarding its use are not met, it is transferred to Capital Grants Received in Advance until such time as the grant conditions are met, when it is recognised as a capital grant within the CIES.

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

10.0 Interests in Companies and Other Entities

Group Accounts are referred to in IFRS10 Consolidated Financial Statements, IFRS11 Joint Arrangements, IFRS12 Disclosure of Interests in Other Entities, International Accounting Standard (IAS) 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

An assessment of the criteria for the completion of Group Accounts has been undertaken and the conclusion reached that there was no requirement to produce such accounts. The Council has interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in-line with the Code. However, as the Council's interests in total are not material, when reviewing both quantitative and qualitative information, group accounts have not been produced. Further details are covered in the Note 39 on Related Party Transactions and Involvement with Companies and only the Council's share of Joint Operations has been included in this Statement of Accounts.

11.0 Joint Operations

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

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

12.0 Leases

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

12.1 Finance Leases

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

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

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

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

disposal of the asset is used to write down the Debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

12.2 Operating Leases

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

13.0 Minimum Revenue Provision

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

14.0 Non-Current Assets

14.1 Property, Plant and Equipment

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

14.2 Initial Recognition and Valuation

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accrual basis if it yields benefit for more than one year, the cost is equal to or exceeds the minimum threshold for capitalisation of £10,000, and the cost can be measured reliably. Expenditure that maintains but does not enhance the benefit that an asset can provide – such as repairs and maintenance - is charged as an expense to revenue when it is incurred.

The Council does not capitalise borrowing costs against capital projects, which are incurred when borrowing takes place to finance capital spending on assets under construction. Such costs are charged as an expense to revenue within the CIES under Financing and Investment Income and Expenditure.

The categories of PPE are as follows:

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

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

14.3 Measurement

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

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

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

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

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

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

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

14.4 Revaluation

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

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

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

14.5 Impairment

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

14.6 Depreciation

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

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

Depreciation is calculated on the following bases:

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

The Code requires that each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately. Where assets are material, with individual component valuations comprising significant proportions of the total cost of the asset (greater than 10% of the asset value) but with markedly different useful lives, the components are depreciated separately. Only material assets with a value equal to or in excess of £2million are componentised. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

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

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

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

14.7 Derecognition of Assets

Any disposal receipts equal to and above £10,000 are categorised as capital receipts on an accruals basis and are credited to the Capital Receipts Reserve. A proportion of receipts relating to housing disposals are paid over to Central Government as a 'housing pooled capital receipt'. This is charged to Net Operating Cost within the CIES and the same amount is appropriated from the Usable Capital Receipts Reserve and credited to the Movement in Reserves Statement.

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

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

14.8 Charges to Revenue for Non-current Assets

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

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

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

14.9 Heritage Assets

These assets have historic, artistic, scientific, geophysical or environmental qualities and are held principally for their contribution to art and culture; and are recognised in the Balance Sheet when their value is equal to or exceeds the capitalisation threshold of £10,000. Their value at the time of recognition is, wherever possible, at either valuation or cost. If this has not been possible, particularly in respect of the art collection assets and civic regalia, where the distinctive and rare nature of these assets can make valuations complicated (and in some cases unobtainable), the assets are not included as a value on the Balance Sheet but are detailed in notes to the Statement of Accounts. Such assets are deemed to have infinite lives

and are not subject to depreciation, but the carrying amounts are reviewed where there is evidence of impairment such as physical damage. Any impairment is recognised and measured in accordance with the Council's general accounting policy on impairment. The following categories summarise the current collections held:

- **Decorative Art & Other Collections**

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

- **Buildings**

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

- **Civic Regalia**

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

- **Transport**

  Various historic trams and buses.

- **Fine Art**

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

14.10 Investment Properties

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

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

14.11 Intangible Assets

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

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

15.0 Overheads and Support Service Costs

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

- Corporate and Democratic; and
- Trading Accounts.

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

16.0 Prior Year Adjustments and Changes in Accounting Policies

Prior year adjustments may arise because of changes in accounting policies and are made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions. Material adjustments from changes in accounting policies or the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and supporting notes.

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

17.0 Private Finance Initiative (PFI) and Service Concession Arrangements

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

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

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

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

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

18.0 Provisions, Contingent Assets and Contingent Liabilities

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

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

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

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

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

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

19.0 Reserves

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

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

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

20.0 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

21.0 Schools

Where the balance of control for maintained schools lies with the Council, i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended, then the income, expenditure, assets, liabilities and cash flows are recognised in the Councils main financial statements, rather than within Group Accounts. Other types of school, such as academies and free schools are outside of the Council's control and therefore not included in the Council's accounts.

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

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

22.0 Value Added Tax (VAT)

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

Note 2 - Accounting Standards Issued, Not Adopted

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

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

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

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

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

Note 3 - Critical Judgements in Applying Accounting Policies

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

Funding Levels

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

Going Concern

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

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

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

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

The Council continues to quantify the impact of Covid-19 at this stage, with the nation now in a second lockdown it is difficult to do with any degree of certainty, but the on-going financial pressure on the Council will be substantial; even after the Government's emergency Covid-19 funding is taken into account. During 2020/21, the Council had planned to utilise its earmarked

reserves for its specific one-off projects, along with the use of flexible capital receipts for transformation projects. The financial resilience of these reserves and use of flexible capital receipts have been revised as part of the Q2 Revenue Budget appraisal and will be closely monitored. It is not planned to use any one-off funding to support the 2021/22 budget.

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

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

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

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

Group Boundary

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

Pooled Budgets

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

Treatment of Schools

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

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

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

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

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

Note 4 - Assumptions made about future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could materially differ from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- ### Property Valuations

Uncertainty

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

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

Effect if Results Differ from Assumptions

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

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

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

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

- ### Pension Liability

Uncertainty

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council is advised on the assumptions it makes by Mercer, a firm of professional actuaries. Assumptions are disclosed in the Defined Benefit Pension Scheme Note 44 and reflects best advice on reasonable judgements at 31 March 2020.

Effect if Results Differ from Assumptions

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

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

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

Unquoted Investments

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

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

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

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

- ## Public Works Loan Board (PWLB) Loans

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

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

- ## Business Rates

Uncertainty

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

Effect if actual results differ

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

Note 5 - Material Items of Income and Expense

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

Note 6 - Events After the Balance Sheet Date

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

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

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

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

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

Note 7 - Expenditure and Funding Analysis

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

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

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

Note 7a - Note to the Expenditure and Funding Analysis

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

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

Adjustments to the General Fund

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

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

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

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

Net Pension Adjustments

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

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

Other Statutory Adjustments

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

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

Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

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

Note 9 - Transfers to/from Earmarked Reserves

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

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

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

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

NNDR Section 31 Grants

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

Covid-19 Emergency Fund

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

Insurance Fund

This is required to cover possible liability insurance claims. The overall estimate of the amount required to cover these is based on an actuarial investigation which seeks to estimate the ultimate claims arising in respect of each risk period, adjusted to allow for any subsequent deterioration in the Council's claims experience. The basis for calculation of the provision is claims not yet reported but anticipated.

Business Rates Equalisation

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

Corporate Priorities

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

Financial Instrument Equalisation Reserve

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

Housing Benefit

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

Public Health Outcomes

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

Waste Development Fund

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

School Balances

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

Note 10 - Other Operating Expenditure

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

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

Note 11 - Financing and Investment Income and Expenditure

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

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

Note 12 - Taxation and Non-Specific Grant Income

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

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

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

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

Note 13 - Expenditure and Income Analysed by Nature

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

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

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

Note 14 - Property, Plant and Equipment

Movements to 31 March 2020

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

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

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

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

Revaluations

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

In 2019/20, the Council based its revaluations on a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. However, they must be revalued more regularly where a five-yearly valuation is insufficient to keep pace with material changes in fair value. To achieve this, a number of significant high value assets groups e.g. Leisure Centres and schools have been revalued irrespective of when the last valuation was undertaken.

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

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

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

Valuation Uncertainty

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

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

Carrying Value measured against Fair Value

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

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

Note 15 - Heritage Assets

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

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

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

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

Decorative Art

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

Buildings

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

Civic Regalia

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

Transport

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

Fine Art and Other Collections

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

Acquisition policy

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

Disposal procedure

A decision will be taken after full consideration of the reasons for disposal. This includes curatorial and financial reasons as well as the public benefit, the implication for the Museum's collections and collections held by museums and other organisations collecting the same material. External expert advice will be obtained and the views of stakeholders such as donors, researchers, local and source communities served by the Museum will also be sought. There have been no disposals in 2019/20.

Conservation and storage

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

Overall approach to valuation and accounting for Heritage Assets

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

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

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

Heritage Assets not reported in the Balance Sheet:

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

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

War memorials and other monuments

There are 146 such assets that the Council owns ranging from those commemorating historic events to historic personages. Because of the lack of comparable market values, the Council considers that the cost of obtaining external valuations outweighs the benefit to the reader of the accounts in obtaining such information. Consequently, these assets are not included in the Balance Sheet.

Archaeological sites

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

Note 16 - Investment Properties

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

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

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

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

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

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

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

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

Fair Value Hierarchy for Investment Properties

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

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

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

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

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

Fair value definitions:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are o
- bservable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

Valuation Basis for Investment Properties

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

Valuation Uncertainty

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

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

Note 17 - Intangible Assets

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

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

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

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

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

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

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

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

Note 18 - Financial Instruments

Financial Instruments – Classifications

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

Financial Liabilities

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

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

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

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

Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 18a - Financial Instruments – Fair Value

For each class of financial assets and financial liability, the Council is required to disclose the fair value of that class of assets and liabilities in such a way that a comparison with the carrying amount is possible. For most assets, including money market funds and other pooled funds, the fair value is taken from the market price.

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

• Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local Council loans.

• The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

• The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.

• The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.

• The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.

• No early repayment or impairment is recognised for any financial instrument.

• The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices.

Level 2 – fair value is calculated from inputs other than quoted prices that are for the asset or liability, e.g. interest rates or yields for similar instruments.

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

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

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

Financial Assets Measured at Fair Value

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

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

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

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

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

Financial Liabilities

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

Financial Assets

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

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

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

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

Financial liabilities

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

Lender Offer Borrower Option (LOBO)

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

Public Works Loan Board (PWLB)

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

Market Long Term Loans

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

Private Finance Initiatives (PFI)

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

Note 19 - Debtors

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

Note 20 - Debtors for Local Taxation

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

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

Note 21 - Cash and Cash Equivalents

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

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

Cash comprises cash on hand and demand deposits. Balances classified as 'Cash Equivalents' fit the definitions of being short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The 2018/19 bank overdraft value has been restated to remove £0.125m of Trust Funds, which have been reclassified as creditor.

Note 22 - Assets Held for Sale

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

Note 23 - Creditors

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

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

Note 24 - Provisions

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

Total Provisions

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

Current Provisions

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

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

Provisions

Severance Pay

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

Insurance Fund

This is required to cover possible liability insurance claims. The overall estimate of the amount required to cover these is based on an actuarial investigation, which seeks to estimate the ultimate claims arising in respect of each risk period. The basis for calculating the provision is claims actually reported as outstanding. The timing of future payments depends almost entirely upon when claims are settled but are likely to run over a number of years.

NNDR Appeals

Following the introduction of the Business Rates Retention Scheme from 1 April 2013, billing authorities are required to make an estimate of the impact of successful appeals covering not only 2019/20 but also any backdated amount relating to earlier years. This will include decisions made in future years regarding appeals which may affect the 2019/20 and earlier financial years business rates charges. The provision calculation is based upon data supplied by the Valuation Office at 31 March 2020 regarding outstanding and settled appeals.

Carbon Reduction Commitment

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

Land Charges

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

Other Provisions

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

Long Term Provisions

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

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

Note 25 - Usable Reserves

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

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

Total Usable Reserve

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

Capital Receipts Reserve

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

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

Capital Grants Unapplied

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

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

Note 26 - Unusable Reserves

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

Further information on each of the above reserves is below:

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve Adjustments

When an asset is revalued downwards (impaired) and there has been a previous upward revaluation which has created a revaluation reserve, the impairment is charged to the revaluation reserve until it is depleted; thereafter it is charged to service revenue accounts.

When an asset that has been revalued is depreciated, the associated revaluation reserve is written off at the same rate. In this situation the revaluation reserve is debited and the capital adjustment account is credited. If an asset is deemed to have a residual value, depreciation

stops when the residual value has been reached. Writing off of the revaluation reserve stops at the same time.

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

Financial Instrument Revaluation Reserve

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

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

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different accounting arrangements for the consumption of non-current assets and for their financing under statutory provisions. The Account is charged with costs of acquisition, construction or enhancement of assets. Depreciation, impairment losses and amortisations of assets are charged to the Comprehensive Income and Expenditure Statement with postings from the Revaluation Reserve to convert fair values to an historical cost basis.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

Financial Instrument Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The balance in the Financial Instrument Adjustment Account at the end of the year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years. At 31 March 2020 the account had a balance of £2.577m (2018/19 £2.689m).

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

Pensions Reserve

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

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

31 March 2019 £000		31 March 2020 £000
480,226	Balance 1 April	550,593
47,956	Remeasurements of the net defined benefit (liability)/asset	(98,467)
56,735	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	58,004
(34,324)	Employer's pensions contributions and direct payments to pensioners payable in the year	(37,741)
550,593	**Balance 31 March**	**472,389**

Deferred Capital Receipts

Deferred capital receipts relate to the principal element of loans provided by the Council, which are repaid over a number of years. The capital receipt is only recognised as and when the principal sum is repaid. At 31 March 2020 the reserve had a balance of £0.273m (2018/19 £0.599m).

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

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and National Non-domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. At 31 March 2020, the account had a balance of £0.399m (2018/19 £0.841m), representing the Council's share of the overall Collection Fund balance.

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

Accumulated Absences Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account. The account had a debit balance of £3.009m at 31 March 2020 (2018/19 debit balance of £3.220m).

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

Pooled Fund Adjustment Account

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

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

Note 27 - Cash Flow Statement: Operating Activities

The cash flows for operating activities include the following items:

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

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

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

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

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

Note 28 - Cash Flow Statement: Investing Activities

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

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

Note 29 - Cash Flow Statement: Financing Activities

The cash flows for financing activities include the following items:

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

Note 30 - Reconciliation of Liabilities Arising from Financing Activities

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

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

Analysis of PFI liability is detailed below:

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

Note 31 - Trading Operations

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

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

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

Note 32 - Agency Services

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

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

Note 33 - Pooled Budgets

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

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

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

- Supporting independence in the community by placed-based activity
- Reducing non-elective admissions and reducing residential admissions by providing the right care and support within the community
- Facilitating earlier hospital discharge

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

Capital (Disabled Facilities grant and Social Care)

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

Note 34 - Members' Allowances

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

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

Note 35 - Officers' Remuneration

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

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

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

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

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

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

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

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

The costs of providing additional retirement benefits are calculated by the Pension Fund and are either accrued in year or reimbursed to the Pension Fund over a 5-year period.

Officer Remuneration

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

Exit Packages

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

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

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

Note 36 - External Audit Costs

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

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

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

Note 37 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2019/20 are as follows:

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

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

Comparative table for 2018/19

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

Note 38 - Grant Income

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

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

Grant Income Credited to Services

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

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them; if these conditions remain unmet, this may require the monies or property to be returned. The balances at year-end are as follows:

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

Note 39 - Related Parties

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

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

Central Government

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

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

Other Public Bodies

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

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

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

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

Entities controlled or significantly influenced by the Council

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

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

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

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

Elected Members of the Council and Officers

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

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

In all instances, the payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

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

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

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

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

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

Interest in Companies

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

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

Note 40 - Capital Expenditure and Capital Financing

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

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

Explanation of movements in year

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

Note 41 - Leases

Authority as Lessor: Finance Leases

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

Property	Lessee	Remaining Term
Wirral Country Park Caravan Site (Touring)	The Caravan Club Ltd	9 Years
Wirral Country Park Caravan Site (Static)	The Caravan Club Ltd	29 Years

The Council has gross investments in the leases, made up of the minimum lease payments expected to be received over the remaining terms and the residual value anticipated for the properties when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtors for the interest in the properties acquired by the lessees and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the amounts shown in the following table.

The gross investment is made up of the following amounts:

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

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

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

Authority as Lessee: Operating Leases

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

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

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

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

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

Authority as Lessor: Operating Leases

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

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

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

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

Note 42 - Service Concession Arrangements

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

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

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

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

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

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

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

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

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

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

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

The contract was originally treated as an operating lease but with the introduction of IFRIC 12 'Service Concession Arrangements', it has now been accounted for as a finance lease. The value of assets held under the Schools PFI scheme is shown below.

Valuation information for PFI assets recognised in the Balance Sheet:

Movement in PFI Assets

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

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

Payments due under PFI Schemes

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

Payments due under PFI schemes

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

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

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

Liability

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

In calculating the future unitary payments to the end of the contract from 2016-17 onward the most up to date information available has been used. This gives a more accurate estimate of the total outstanding liability. The annual unitary payment is increased by the Retail Price Index less 10%. RPI is based on the most up to date information as opposed to the estimates in the operator's financial model.

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

Note 43 - Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the DfE uses a national fund as the basis for calculating the employer's contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. In 2019/20, the Council paid £12.62m (2018/19: £9.74m) to Teachers' Pensions in respect of teachers' retirement benefits. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £13.6m. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. The Council is not liable to the Scheme for any other entities' obligations under the plan.

Public Health

When Public Health staff transferred from Wirral primary care trust (PCT) in April 2013 on the abolition of the Primary Care Trusts (PCTs) nationally, they retained access to the NHS Pension Scheme. The Scheme provides specified benefits upon retirement towards which the Council makes contributions based on a percentage of members' salaries. The Scheme is administered by the NHS Business Services Authority on behalf of the Department of Health in England and Wales. The Scheme is a multi-employer defined benefit scheme. The Scheme is unfunded and the Department of Health uses a notional fund as the basis for setting employer contribution rates. Valuations of the fund are undertaken every four years. The Scheme has over 1.3m active members employed in a wide variety of organisations. A small number of staff (41)

transferred from the Wirral PCT and consequently the Council is unable to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during the year ending 31 March 2020, the Council's own contributions are negligible. In 2019/20 the Council paid £0.159m (2018/19: £0.181m) to the NHS Pension Scheme in respect of the retirement benefits of public health staff. There were no contributions remaining payable at the year-end. Contributions due to be paid in the next financial year are estimated to be £0.147m. The Council is not liable to the Scheme for any other entities' obligations under the plan.

Note 44 - Defined Benefit Pension Scheme

Participation in Pension Schemes

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

The Council participates in the following post-employment schemes:

The Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme, administered locally by Wirral Borough Council, this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement, is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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

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

Discretionary Post-retirement Benefits

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

Unfunded Teachers' Scheme

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

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement on Reserves Statement. The transactions shown in the table below have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

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

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

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

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as set out in the table above and below, which includes estimates for McCloud. The total liability at 31 March 2020 is £472.4m (£539.4m 2018/19).

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

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

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

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

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

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

LGPS Pension Scheme Assets Comprised of:

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

Significant Assumptions by the Actuary have been:

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

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

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

Note 45 - Trust Funds

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

2019/20

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

2018/19

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

Note 46 - Contingent Liabilities

The Council has made a provision for National Non-Domestic Rates (Business Rates) appeals based upon its best estimate of the actual liability in known appeals as at 31 March 2020. However, as appeals can be backdated for several years it is possible that additional costs could be incurred by the Council if any subsequent appeals are successful.

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

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

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

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Investment Guidance for Local Authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- Credit Risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party;
- Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments;
- Market Risk: The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

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

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

The table below summarises the credit risk exposures of the Council's investment portfolio as at 31 March 2020 by the counterparty's country of origin and its credit rating. The table confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

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

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

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

Liquidity Risk

The Council has access to borrowing facilities from the Public Works Loan Board. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates by aiming to have an even spread of maturities in each year.

The maturity analysis of the nominal value of the Council's debt at 31 March 2020 was as follows:

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

Trade Receivables

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

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

Market Risk

Interest Rate Risk:

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

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

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

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

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

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

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

Market Risk: Price risk

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

Market Risk: Foreign exchange risk

The Council has no financial assets or liabilities denominated in a foreign currency. It, therefore, has no exposure to loss arising as a result of adverse movements in exchange rates.

Note 48 - Restatement of 2018/19 Cost of Services

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

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

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

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

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

Restated Structure split by original directorate

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

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

Fully revised 2018/19 CIES

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

Additional Financial Statements

Collection Fund Statement

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

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

Notes to the Collection Fund

Note 1 - Council Tax Income

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

2019/20

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

2018/19

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

Note 2 - Non-Domestic Rates

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

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

Glossary

Glossary

Accruals

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

Actuarial Gains and Losses

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

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

Balances

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

Budget

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

Capital Expenditure

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

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

Community Assets

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

Council Tax

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

Creditors

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

Current Service Costs (Pensions)

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

Curtailment (Pensions)

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

Debtors

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

Defined Benefits Scheme

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

Defined Contributions Scheme

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

Depreciation

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

Expected Rate of Return on Pensions Assets

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

Expenditure

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

FVOCI

Fair value other comprehensive income.

General Fund

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

Government Grants

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

Heritage Assets

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

Impairment

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

Income

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

Infrastructure Assets

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

Intangible Assets

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

International Financial Reporting Standards (IFRS)

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

Investment Properties

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

Leases

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

Medium Term Financial Strategy (MTFS)

The Council's medium-term financial plan.

Minimum Revenue Provision (MRP)

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

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

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

Net Book Value

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

Net Expenditure

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

OCIE

Other comprehensive Income and Expenditure.

Precept

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

Prior Year Adjustments

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

Property, Plant and Equipment

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

Provisions

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

Public Works Loans Board (PWLB)

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

Reserves

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital under Statue (REFCUS)

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

Scheme Liabilities

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

Unfunded Defined Benefit Scheme

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

Unsupported (Prudential) Borrowing

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

Useful Life

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

Merseyside Pension Fund Accounts

Independent Auditor's Report

Independent auditor's report to the members of Merseyside Pension Fund

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MERSEYSIDE PENSION FUND ACCOUNTS

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

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

Notes to the Merseyside Pension Fund Accounts

Note 1 Description of the Fund

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

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

In 2015/16 a local Pensions Board was introduced in accordance with the Public Service Pensions legislation and regulations. The Board's aim is to assist the Administrating Authority with ensuring compliance and the effective governance and administration of the Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to Merseyside Pension Fund Annual Report 2019/20 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

A) General

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

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

The Fund is a contributory defined benefit pension scheme administrated by Wirral Council to provide pensions and other benefits for pensionable employees of the Merseyside Local Authorities and a range of other scheduled and admitted bodies. Teachers, Police Officers and Fire Fighters are not included as they come within other national pension schemes.

B) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in Merseyside Pension Fund include:

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

There are 207 employer organisations within Merseyside Pension Fund including Wirral Council itself. The Fund has 139,960 members as detailed below:

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

C) Funding

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

D) Benefits

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

	Service pre 1 April 2008	**Service post 31 March 2008**
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the Scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th.

Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the Scheme, for more details please refer to the Fund's website: Merseyside Pension Fund Website

Note 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its position at year end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, are shown within the statement by the Actuary, which is published as an addendum to the accounts.

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

The accounts have been prepared on a going concern basis.

Note 3 Summary of Significant Accounting Policies

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

Contributions and Benefits

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

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

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

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

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

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

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

Transfers to and from Other Schemes

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

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

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

Management Expenses

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

Administration Costs

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

Investment Management Costs

All investment expenses are accounted for on an accrual basis.

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

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

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

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

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

Oversight and Governance Costs

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

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

Investment Income

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

Rental income from properties is recognised on a straight-line basis over the term of the lease. Rent is accounted for in the period it relates to and is shown gross of related expenses. The Fund accrues rent up to 24 March each year. Rent received on the Quarter Day, 25 March, is accounted for in full, in the following year.

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

Taxation

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

Valuation of Investments

All financial assets, apart from loans, are included in the Net Asset Statement on a fair value basis as at the reporting date. Loans are included in the Net Asset Statement on an amortised cost basis. The values of investments as shown in the Net Asset Statement are determined as follows:

- Listed securities are valued at quoted bid market prices on the final day of the accounting period. The bid price is the price which the Fund would have obtained had the securities been sold at that date
- For unlisted investments, wherever possible, valuations are obtained via the Independent Administrator. Valuations that are obtained direct from the Manager are verified against the latest available audited accounts adjusted for any cash flows up to the reporting date
- Hedge Funds and Infrastructure are recorded at fair value based on net asset values provided by Fund Administrators, or using latest financial statements published by respective Fund Managers, adjusted for any cash flows

- Private Equity valuations are in accordance with the guidelines and conventions of the British Venture Capital Association/International Private Equity guidelines, or equivalent
- Indirect Property is valued at net asset value or capital fair value basis provided by the Fund Manager. For listed Funds, the net asset value per unit is obtained through data vendors
- The freehold and leasehold interests in the properties held within the Fund were independently valued as at 31 March 2020 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the Fund as defined by the Alternative Investment Fund Managers Regulations 2013). This valuation has been prepared in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together the "Red Book". The valuations were arrived at predominantly by reference to market evidence for comparable property
- Pooled Investment Vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of Pooled Investment Vehicles that are Accumulation Funds, change in market value also includes income which is reinvested by the Manager of the vehicle in the underlying investment, net of applicable withholding tax.

Translation of Foreign Currencies

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

Derivatives

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

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

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

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

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

Short Term Deposits

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

Financial Liabilities

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

Additional Voluntary Contribution

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

The Scheme providers are Utmost Life (transferred from Equitable Life 1 January 2020), Standard Life and Prudential. Individual members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year.

Note 4 Critical Judgements in Applying Accounting Policies

The Fund has not applied any critical judgements.

Note 5 Estimation & Uncertainty

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

Unquoted Investments

The Fund has significant unquoted investments within Private Equity, Infrastructure, Property and other Alternative investments. These are valued within the financial statements using valuations from the Managers of the respective assets. There are clear accounting standards for these valuations and the Fund has in place procedures for ensuring that valuations applied by Managers comply with these standards and any other relevant best practice. The value of unquoted assets as at 31 March 2020 was £4,289 million (£4,221 million at 31 March 2019).

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

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

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

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

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

Note 6 Events after the Reporting Date

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

Non-Adjusting Event - COVID-19

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

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

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

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

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

Note 7 Contributions Receivable

Contributions are made by active members of the Fund in accordance with the LGPS and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2019/20 contributions above were calculated at the valuation dated 31 March 2016. The 2016 actuarial valuation calculated the average primary employer contribution of rate of 15.4% (2013 13.3%).

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

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

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

2019/20 £000	Contributions Receivable	2018/19 £000
	Employers	
137,903	Normal	127,865
9,726	Pension Strain	9,274
41,501	Deficit Funding	18,016
189,130	**Total Employers**	**155,155**
	Employees	
58,396	Normal	55,422
247,526		**210,577**
	Relating to:	
27,826	Administering Authority	24,581
175,241	Statutory Bodies	160,776
44,459	Admission Bodies	25,220
247,526		**210,577**

Note 8 Transfers In

2019/20 £000	Transfers In	2018/19 £000
18,152	Individual transfers	11,797
18,152		**11,797**

There were no group transfers to the Fund during 2019/20.

Note 9 Benefits Payable

2019/20 £000	Benefits payable	2018/19 £000
278,801	Pensions	265,886
66,288	Lump Sum Retiring Allowances	66,173
7,018	Lump Sum Death Benefits	8,639
352,107		**340,698**
	Relating to:	
48,313	Administering Authority	46,919
246,651	Statutory Bodies	240,601
57,143	Admission Bodies	53,178
352,107		**340,698**

Note 10 Payments to and on account of Leavers

2019/20 £000	Payments to and on account of Leavers	2018/19 £000
568	Refunds to Members Leaving Service	538
-	Payment for Members Joining State Scheme	8
(239)	Income for Members from State Scheme	-
-	Group Transfers to Other Schemes	-
17,710	Individual Transfers to Other Schemes	18,489
18,039		**19,035**

There were no group transfers out of the Fund during 2019/20.

Note 11 Management Expenses

2019/20 £000	Management Expenses	2018/19 £000
3,022	Administration Costs	2,778
42,442	Investment Management Costs	39,708
2,552	Oversight and Governance Costs	2,269
(447)	Other Income	(321)
47,569		**44,434**

Note 11a Administration Costs

2019/20 £000	Administration Costs	2018/19 £000
2,075	Employee Costs	1,867
667	IT Costs	616
248	General Costs	255
32	Other Costs	40
3,022		**2,778**

Note 11b Investment Management Costs

2019/20 £000	Investment Management Costs	2018/19 Restated* £000
11,592	External Investment Management Fees	10,661
1,826	External Investment Management Performance Fees	544
17,214	External Private Market Fees and Expenses	16,991
684	External Services	799
774	Internal Investment Management Fees	713
6,259	Property Related Expenses	6,334
4,093	Transaction Costs	3,666
42,442		**39,708**

*2018/19 has been restated to show separately fees and expenses paid for private market assets, this was previously included within external investment management fees.

Note 11c Oversight & Governance Costs

Actuarial fees included within External Services below (note 11c) are shown gross of any fees that have been recharged to employers. Included within Other Income for 2019/20 is £374,145 relating to recharged Actuarial fees (2018/19 £259,917).

The External Audit fee for 2019/20 is £34,049, additional fees of £2,000 are in relation to work for 2018/19 and an additional £9,800 relates to services in respect of IAS19 assurances for admitted body auditors, which are recharged to those admitted bodies.

2019/20 £000	Oversight & Governance Costs	2018/19 £000
585	Employee Costs	520
1,405	External Services	1,179
49	Internal Audit	49
46	External Audit	31
467	Other Costs	490
2,552		**2,269**

Note 12 Investment Income

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

Interest on loans has been accrued up to 31 March 2020, interest on loans for 2018/19 is interest received during the period (previously shown within income from pooled investment vehicles).

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £9.0 million (2018/19 £6.3 million).

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, repayments received in 2019/20 £nil (2018/19 £20,981).

2019/20 £000	Investment Income	2018/19 Restated £000
101,798	Dividends from Equities	99,895
4,664	Income from Bonds	69
43,827	Income from Pooled Investment Vehicles	49,798
30,938	Rents from Properties	30,512
1,208	Interest on Short Term Cash Deposits	712
16,183	Income from Private Equity	33,877
14,793	Interest from Loans	4,814
1,471	Other	949
214,882		**220,626**
(4,864)	Irrecoverable Withholding Tax	(4,378)
210,018		**216,248**

Note 12a Property Income

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

2019/20 £000	Property Income	2018/19 £000
30,938	Rental Income	30,512
(6,259)	Direct Operating Expenses	(6,334)
24,679	**Net Rent from properties**	**24,178**

Note 12b Property Operating Leases

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

These leases are all categorised as operating leases due to the relatively short length of the agreements i.e. relative to the overall life of the asset and proportion of the assets overall value. The leases do not meet the assessment criteria for finance leases, and the risks and rewards of ownership of the leased assets are retained by the Fund and reflected in the Net Assets Statement.

The properties comprise a mix of office, retail and industrial buildings. These leases vary in length from short term to over 25 years.

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

2019/20 £000	Age Profile of Lease Income	2018/19 £000
4,584	No later than one year	5,195
5,147	Between one and five years	11,208
14,386	Later than five years	11,635
24,117	**Total**	**28,038**

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

Note 13 Investments

2019/20	Market Value at 31 March 2019 £000	Purchases at Cost & Derivative Payments £000	Sale Proceeds & Derivative Receipts £000	Change in Market Value ** £000	Market Value at 31 March 2020 £000
Equities	2,795,439	1,252,204	(1,124,083)	(439,992)	2,483,568
Bonds	665,610	50,749	(31,827)	11,697	696,229
Pooled Investment Vehicles	4,621,558	625,588	(752,749)	(61,954)	4,432,443
Derivative Contracts	-	725,413	(781,934)	227,715	171,194
Direct Property	521,750	21,943	(35,483)	(36,285)	471,925
Loans	73,947	45,252	(33,123)	-	86,076
	8,678,304	**2,721,149**	**(2,759,199)**	**(298,819)**	**8,341,435**
Short term cash deposits	86,098				105,010
Other investment balances	104,196			(3,148)	181,507
	8,868,598			**(301,967)**	**8,627,952**

2018/19 Restated*	Market Value at 31 March 2018 £000	Purchases at Cost & Derivative Payments £000	Sale Proceeds & Derivative Receipts £000	Change in Market Value ** £000	Market Value at 31 March 2019 £000
Equities	2,768,408	1,635,758	(1,634,730)	26,003	2,795,439
Bonds	-	689,963	-	(24,353)	665,610
Pooled Investment Vehicles	5,030,518	1,028,347	(1,721,615)	284,308	4,621,558
Derivative Contracts	218	613,961	(614,344)	165	-
Direct Property	519,750	3,636	-	(1,636)	521,750
Loans	43,961	48,832	(18,846)	-	73,947
	8,362,855	**4,020,497**	**(3,989,535)**	**284,487**	**8,678,304**
Short term cash deposits	53,226				86,098
Other investment balances	99,613			355	104,196
	8,515,694			**284,842**	**8,868,598**

Direct transaction costs are shown under investment management costs in note 11b, in accordance with CIPFA guidance. Indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the Fund.

*2018/19 has been restated to show loans, these were previously shown under pooled investment vehicles.

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

Note 13a Analysis of Investments

2019/20 £000		2018/19 £000
	Equities (segregated holdings)	**Restated**
1,014,305	UK Quoted	1,150,144
1,469,263	Overseas Quoted	1,645,295
2,483,568		**2,795,439**
	Bonds	
679,699	UK Public Sector Quoted	**665,610**
400	UK Corporate Quoted	**-**
16,130	Overseas Corporate Quoted	**-**
696,229		**665,610**
	Pooled Investment Vehicles	
	UK Managed Funds:	
75,913	Equities	138,487
108,663	Private Equity	286,359
172,358	Hedge Funds	41,772
384,588	Corporate Bonds	354,726
299,982	Infrastructure	353,669
216,442	Opportunities	323,557
	Overseas Managed Funds:	
564,600	Equities	494,233
518,898	Private Equity	279,333
102,410	Hedge Funds	221,975
62,884	Corporate Bonds	-
251,592	Infrastructure	192,604
68,655	Opportunities	209,989
	UK Unit Trusts:	
72,111	Property	116,426
	Overseas Unit Trusts:	
214,805	Property	124,120
1,318,542	**Other Unitised Funds**	1,484,308
4,432,443		**4,621,558**
171,194	**Derivative Contracts**	**-**
	UK Properties	
345,825	Freehold	387,820
126,100	Leasehold	133,930
471,925		**521,750**
521,750	*Balance at 1 April*	*519,750*
21,943	*Additions*	*3,636*
(35,483)	*Disposals*	-
11,583	*Net gain/(loss) on fair value*	-
(47,868)	*Other changes in fair value*	*(1,636)*
471,925	*Balance at 31 March*	*521,750*
86,076	**Loans**	**73,947**
105,010	**Short term cash deposits**	**86,098**
	Other investment balances	
55,729	Outstanding Trades	7,439
22,589	Outstanding Dividends Entitlements and Recoverable Withholding Tax	22,275
103,189	Cash Deposits	74,482
181,507		**104,196**
8,627,952	**Total Investments**	**8,868,598**

As at 31 March 2020 there were no restrictions on the realisability of investment property or of the remittance of income or proceeds of disposal and the fund is not under any contractual obligations to purchase, construct or develop any of these properties.

Note 13b Analysis of Derivatives

Forward Currency Contracts

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

Settlement Date	Currency bought	Currency sold	Asset	Liability
	'000	'000	£000	£000
Up to one month	**GBP 15,027**	**EUR 16,536**	**389**	
Up to one month	**EUR 6,949**	**GBP 6,211**		**(60)**
Up to one month	**SGD 331**	**GBP 189**		**(1)**
Up to three month	**GBP 182,415**	**EUR 200,000**	**5,126**	
Up to three month	**GBP 169,991**	**USD 200,000**	**8,924**	
			14,439	**(61)**
Net Forward Currency Contracts at 31 March 2020				**14,378**
Prior Year Comparative				
Open Forward Currency Contracts at 31 March 2019			-	(91)
Net Forward Currency Contracts at 31 March 2019				**(91)**

Purchased/Written Options

Options are contracts between two parties that gives the purchaser the right, but not the obligation to either buy (call) or sell (put) at a price at a specific date. The purchaser pays immediately, a non-returnable premium (price) to secure the option. To minimise the risk of loss of value through adverse equity price movements, during 2019/20 the Fund bought a number of equity option contracts that protect it from falls in value in its main investment markets, principally the UK, USA and Europe.

As at 31 March 2020, the Fund held cash collateral of £111.3 million to mitigate the risk of loss and credit risk. As the Fund has an obligation to return the collateral, it is excluded from the Fund valuation.

Underlying Option Contract	Expires	Put/Call	Notional Holding £'000	Market Value 31 March 2020 £'000
Assets				
Overseas equity purchased	One to three months	Put	306	**214,158**
Overseas equity purchased	Over three months	Put	36	**9,452**
Overseas equity purchased	Over three months	Put	72	**6,227**
Total Assets				**229,837**
Liabilities				
Overseas equity written	One to three months	Put	(356)	**(62,832)**
Overseas equity written	One to three months	Call	(307)	**(3,724)**
Overseas equity written	Over three months	Call	(36)	**(12,309)**
Total Liabilities				**(78,865)**
Net Purchased/Written Options				**150,972**

There were no purchased or written options as at 31 March 2019.

Swaps

A swap is an over the counter contractual obligation to exchange cash flows, the amount of which is determined by reference to an underlying asset, index, instrument or notional amount, according to terms which are agreed at the outset of the swap. MPF uses swaps to raise or lower the Fund's exposure in certain regions, to manage risks.

Type	Expires	Notional Holding £'000	Market Value 31/3/20 £'000
Assets			
Total Return Swaps	Up to one year	6,999	**878**
Total Return Swaps	Up to one year	123,000	**5,252**
Total Assets			**6,130**
Liabilities			
Total Return Swaps	Up to one year	6,000	**-287**
Total Liabilities			**-287**
Net Swaps			**5,843**

As at 31 March 2020, the Fund held cash and non-cash collateral of £223.6 million to mitigate the risk of loss and credit risk. As the Fund has an obligation to return the collateral, it is excluded from the Fund valuation.

Note 13c Summary of Manager's Portfolio Values at 31 March 2020

2019/20 £million	2019/20 %		2018/19 £million	2018/19 %
		Externally Managed		
225	*2.6*	JP Morgan (European equities)	260	*2.9*
344	*4.0*	Nomura (Japan)	353	*4.0*
385	*4.5*	Schroders (fixed income)	355	*4.0*
391	*4.5*	Legal & General (fixed income)	382	*4.3*
274	*3.2*	Unigestion (European equities and pooled Emerging Markets)	337	*3.8*
145	*1.7*	M&G (global emerging markets)	188	*2.1*
211	*2.4*	TT International (UK equities)	249	*2.8*
243	*2.8*	Blackrock (UK equities)	272	*3.1*
129	*1.5*	Blackrock (Pacific Rim)	158	*1.8*
-	-	Blackrock (QIF)	91	*1.0*
244	*2.8*	Newton (UK equities)	281	*3.2*
169	*2.0*	Amundi (global emerging markets)	187	*2.1*
130	*1.5*	Maple-Brown Abbot (Pacific Rim equities)	177	*2.0*
929	*10.8*	State Street Global Advisor (Passive Manager)	1,104	*12.3*
892	*10.3*	State Street Global Advisor (Bonds Manager)	666	*7.5*
1	-	Blackrock Transition Manager	1	-
4,712	**54.6**	**Total Externally Managed**	**5,061**	**56.9**
		Internally Managed		
439	*5.1*	UK equities	450	*5.1*
228	*2.6*	European equities	247	*2.8*
472	*5.5*	Property (direct)	522	*5.9*
371	*4.3*	Property (indirect)	316	*3.6*
628	*7.3*	Private equity	566	*6.4*
411	*4.8*	Hedge funds	264	*3.0*
585	*6.8*	Infrastructure	546	*6.2*
415	*4.8*	Opportunities	580	*6.5*
184	*2.1*	Global Equities Internal Factor	201	*2.3*
183	*2.1*	Short term deposits & other investments	116	*1.3*
3,916	**45.4**	**Total Internally Managed**	**3,808**	**43.1**
8,628	**100.0**	**Total**	**8,869**	**100.0**

As at 31 March 2020 no single investment represented more than 5% of the net assets available for benefits.

Note 13d Stock Lending

As at 31 March 2020, £543.9 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £588.9 million. Collateral is marked to market, and adjusted daily. Income from Stock Lending amounted to £751,064 and is included within "Other" Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

Note 14 Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below.

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

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

Note 14 Fair Value – Basis of Valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Derivatives - futures and options	Level 1	Published exchange prices at year end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Derivatives - forward currency contracts	Level 2	Market forward exchange rates at the year end	Not required	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	Closed bid price where bid and offer prices are published - closing single price where single price is published. Valuation for property funds are provided by fund managers and where available closing bid prices are used.	NAV - based pricing set on a forward pricing basis	Not required

Note 14 Fair Value – Basis of Valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market Quoted Investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted Bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Derivatives - Futures and Options	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted Bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Derivatives - Forward Currency Contracts	Level 2	Market forward exchange rates at the year end	Not required	Not required
Derivatives - OTC Options	Level 2	Option pricing models	Not required	Not required
Pooled investment - overseas unit trusts and property funds	Level 2	Closed bid price where bid and offer prices are published - closing single price where single price is published. Valuation for property funds are provided by fund managers and where available closing bid prices are used.	NAV - based pricing set on a forward pricing basis	Not required
Direct Property	Level 3	Valued at fair value at the year-end using independent external Valuers in accordance with FRS 13, SSAP 19 and the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards (the "RICS Red Book").	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength of existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Unquoted Equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines or equivalent	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Material events occurring between the date of the financial statements provided and MPF's own reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Pooled Investments - Hedge Funds and Infrastructure	Level 3	The funds are valued in accordance with International Financial Reporting Standards (IFRS). The valuation basis, determined by the relevant Fund Manager, may be any of quoted market prices, broker or dealer quotations, transaction price, third party transaction price, industry multiples and public comparables, transitions in similar techniques, third party independent appraisals or pricing models.	NAV - based pricing set on a forward pricing basis	Material events occurring between the date of the financial statements provided and MPF's own reporting date, changes to expected cashflows, differences between audited and unaudited accounts.

Note 14 Fair Value – Basis of Valuation (continued)

Sensitivity of assets valued at level 3

The table below sets out the assets classified as level 3 assets. The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges (as provided by the Fund's investment consultants), and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020. There are various factors that affect the complexity of valuation and the realisable value of assets and certain asset specific issues may lead to realisable valuations falling outside the stated range.

Level 3 Assets	Value at 31 March 2020 £000	Potential variance %	Value on increase £000	Value on decrease £000
Property	635,056	10.0	698,562	571,550
Unquoted UK equity	82,668	15.0	95,068	70,268
Unquoted overseas equity	9,330	15.0	10,730	7,931
Hedge funds	209,528	10.0	230,481	188,575
Infrastructure	565,189	15.0	649,967	480,411
Private equity	1,031,773	15.0	1,186,539	877,007
Total	**2,533,544**			

Note 14a Fair Value Hierarchy

Assets valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in "Practical Guidance on Investment Disclosures (PRAG/Investment Association 2016)".

Level 1

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

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

Level 2

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

Level 3

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

Such investments would include unquoted equity investments and Hedge Fund of Funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in Private Equity are based on valuations provided by the general partners to the Private Equity funds in which Merseyside Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in Hedge Funds are based on the net asset value provided by the Fund Manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable:

Values at 31 March 2020	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Financial Assets at Fair Value through Profit and Loss	4,052,916	1,668,899	2,061,619	**7,783,434**
Non-Financial Assets at Fair Value through Profit and Loss	-	-	471,925	**471,925**
Financial Liabilities at Fair Value through Profit and Loss	-	-	-	**-**
Net Investment Assets	**4,052,916**	**1,668,899**	**2,533,544**	**8,255,359**

Values at 31 March 2019 *	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Financial Assets at Fair Value through Profit and Loss	4,457,295	1,769,887	1,855,425	**8,082,607**
Non-Financial Assets at Fair Value through Profit and Loss	-	-	521,750	**521,750**
Financial Liabilities at Fair Value through Profit and Loss	**-**	(91)	**-**	**(91)**
Net Investment Assets	**4,457,295**	**1,769,796**	**2,377,175**	**8,604,266**

*The financial assets at fair value through profit and loss values as at 31 March 2019 have been restated, £74 million related to loans and have been removed from the table.

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

2019/20 £000		2018/19* £000
2,377,175	**Opening balance**	**2,191,484**
458,262	Acquisitions	329,127
(274,441)	Disposal proceeds	(217,316)
-	Transfer into Level 3	-
	Total gain/(losses) included in the fund account:	
83,618	On assets sold	(7,717)
(111,070)	On assets held at year end	81,597
2,533,544	**Closing balance**	**2,377,175**

* The information for 2018/19 has been restated.

Note 15 Financial Instruments

Note 15a Classification of Financial Instruments

Financial Assets & Liabilities at 31 March 2020	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through profit and loss £000	Total £000
Financial Assets				
Equities			2,483,568	2,483,568
Bonds			696,229	696,229
Pooled Investment Vehicles			4,432,443	4,432,443
Derivatives			171,194	171,194
Loans	86,076			86,076
Cash Deposits	105,010			105,010
Other Investment Balances	181,507			181,507
Long Term and Current Assets	47,958			47,958
Total Financial Assets	**420,551**	**-**	**7,783,434**	**8,203,985**
Financial Liabilities				
Derivatives				-
Other Investment Balances		(21,063)		(21,063)
Current Liabilities		(16,095)		(16,095)
Total Financial Liabilities	**-**	**(37,158)**	**-**	**(37,158)**
Total Net Assets	**420,551**	**(37,158)**	**7,783,434**	**8,166,827**

Financial Assets & Liabilities at 31 March 2019 Restated	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through profit and loss £000	Total £000
Financial Assets				
Equities	-	-	2,795,439	2,795,439
Bonds	-	-	665,610	665,610
Pooled Investment Vehicles	-	-	4,621,558	4,621,558
Derivatives	-	-	-	-
Loans	73,947			73,947
Cash Deposits	86,098	-	-	86,098
Other Investment Balances	104,196	-	-	104,196
Long Term and Current Assets	39,559	-	-	39,559
Total Financial Assets	**303,800**	**-**	**8,082,607**	**8,386,407**
Financial Liabilities				
Derivatives			(91)	(91)
Other Investment Balances	-	(8,354)	-	(8,354)
Current Liabilities	-	(16,974)	-	(16,974)
Total Financial Liabilities	**-**	**(25,328)**	**(91)**	**(25,419)**
Total Net Assets	**303,800**	**(25,328)**	**8,082,516**	**8,360,988**

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

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

Note 15b Net Gains & Losses on Financial Instruments

2019/20 £000	Net Gains and Losses on Financial Instruments	2018/19 £000
	Financial Assets	
(262,534)	Fair Value through Profit and Loss	286,123
(262,534)	**Total Financial Assets**	**286,123**
-	**Financial Liabilities**	-
-	**Total Financial Liabilities**	**-**
(262,534)	**Net gains and losses on Financial Instruments**	**286,123**

Note 15c Fair Value of Financial Instruments

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

Note 16 Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

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

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

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

Note 16 Nature and Extent of Risks Arising from Financial Instruments (continued)

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

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

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

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

Note 16a Market Risk

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

assumption of future volatility based on analysis of previous performance and probability.

2019/20	Value at 31 March 2020 £million	Potential Variance %	Value on increase £million	Value on decrease £million
UK Equities (all equities including pooled vehicles)	1,240	*19.0*	1,475	1,004
US Equities	427	*21.0*	516	337
Canadian Equities	9	*24.0*	11	7
European Equities	759	*22.5*	929	588
Japanese Equities	368	*20.5*	443	292
Emerging Markets Equities inc Pac Rim	691	*28.0*	884	497
Global Equities (all equities including pooled vehicles)	557	*19.5*	666	448
UK Fixed Income Pooled Vehicles	837	*11.0*	929	745
UK Index Linked Gilts	680	*9.0*	741	619
Corporate Bonds	17	*9.0*	18	15
Pooled Property	287	*12.5*	323	251
Private Equity	628	*28.5*	806	449
Hedge Funds	275	*9.0*	299	250
Infrastructure	552	*18.5*	654	450
Other Alternative Assets	285	*9.5*	312	258
Loans, Short Term Deposits & Other Investment Balances	555	-	555	555
Total	**8,167**			

2018/19	Value at 31 March 2019 Restated £million	Potential Variance %	Value on increase £million	Value on decrease £million
UK Equities (all equities including pooled vehicles)	1,496	*19.0*	1,780	1,211
US Equities	569	*21.0*	689	450
Canadian Equities	9	24.0	11	7
European Equities	841	*22.5*	1,030	652
Japanese Equities	379	*20.5*	456	301
Emerging Markets Equities inc Pac Rim	876	*28.0*	1,121	630
Global Equities (all equities including pooled vehicles)	428	*19.5*	512	345
UK Fixed Income Pooled Vehicles	735	*11.0*	816	655
UK Bonds	666	*9.0*	726	606
Pooled Property*	260	*12.5*	293	228
Private Equity	566	*27.5*	721	410
Hedge Funds	264	*9.5*	289	239
Infrastructure	546	*18.5*	647	445
Other Alternative Assets*	448	*14.1*	511	385
Loans, Short Term Deposits & Other Investment Balances*	278	-	278	278
Total	**8,361**			

*2018/19 values have been restated to reclassify loans.

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent that the fair value on future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency on any cash balances and investment assets not denominated in UK sterling.

Note 16b Credit Risk

Credit risk represents that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

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

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

The Fund's cash holding, under its treasury management arrangements as at 31 March 2020, was £105.0 million (31 March 2019 86.1 million). This was held on instant access accounts with the following institutions:

2019/20	Rating (S & P)		2018/19
£000			£000
41,078	Lloyds Bank	Long A Short A-1	22,717
63,932	Northern Trust	AAAm	28,381
-	Invesco	AAAm	15,000
-	Svenska Handelsbanken	Long AA- Short A-1+	20,000
105,010	**Total**		**86,098**

Note 16c Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's key priority is to pay pensions in the long-

term and in the short-term and the asset allocation is the key strategy in ensuring this. The earlier sections have dealt with the longer-term risks associated with market volatility.

The Fund always ensures it has adequate cash resources to meet its commitments. The Fund has a cash balance at 31 March of £105 million. The Fund has £5,841 million in assets which could be realised in under 7 days' notice, £780 million in assets which could be realised in under 90 days' notice and £1,546 million in assets which could not be realised within a 90-day period.

The Fund has no borrowing or borrowing facilities.

The management of the Fund also prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. Whilst the Fund has a net withdrawal for 2019/20 in its dealing with members of £104 million and management expenses of £48 million, this is offset by investment income of £215 million.

Refinancing Risk

Refinancing risk represents the risk that the Fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

Note 16d Outlook for Real Investment Returns

The expectation of future real investment returns can affect the Fund's liabilities as they may impact on the discount rate used by the actuary to discount the liabilities; the Fund's actuary has calculated that the Fund has sensitivity to this discount rate of 17% per 1% change in real investment returns. The Fund considers both the liabilities and assets together and assesses the funding ratio and the implications for investment strategy on a quarterly basis at the IMWP.

Note 17 Funding Arrangements

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The most recent Triennial Valuation by the actuary was as at 31 March 2019, when the funding level was 101% of projected actuarial liabilities (2016 85%). The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The FSS specifies that for the majority of the statutory employers, the recovery period is 16 years, taking

account of all the employer specific factors, the implied average period across the Fund is 13 years.

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

The key elements of the funding policy are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- Enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, designating and admitted bodies, while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- Maximise the returns from investments within reasonable risk parameters taking into account the above aims.

Summary of Key Whole Fund Assumptions used for calculating Funding Target	**31 March 2019**
Long Term Yields	% p.a.
Market Implied RPI Inflation	3.40
Solvency Funding Target Financial Assumptions	
Investment Return (Higher Risk Bucket)	4.15
CPI Price Inflation	2.40
Short-Term Salary Increases	Varies by employer
Long-Term Salary Increases	3.90
Pension Increases/Indexation of CARE Benefits	2.40
Future Service Accrual Financial Assumptions	
Investment Return/Discount Rate (Higher Risk Bucket)	4.65
CPI Price Inflation	2.40
Short-Term Salary Increases	Varies by employer
Long-Term Salary Increases	3.90
Pension Increases/Indexation of CARE Benefits	2.40

Note 18 Investment Liabilities

2019/20 £000	**Investment Liabilities**	**2018/19 £000**
-	Derivative Contracts	91
21,063	Amounts due to Stockbrokers	8,354
21,063	**Total**	**8,445**

Note 19 Long Term Assets

2019/20 £000	Long Term Assets	2018/19 £000
6,337	Assets due in more than one year	4,146
6,337	**Total**	**4,146**

Assets due in more than one year include future payments of pension strain and accrued loan interest.

Note 20 Current Assets & Liabilities

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

"Provision for Credit Losses" relates to general debtors and property rental income and is based on an assessment of all individual debts as at 31 March 2020.

The main components of "Miscellaneous Liabilities" are the outstanding charges for Investment Management fees, payable quarterly in arrears, Custodian and Actuarial fees, plus income tax due, pre-paid rent and Administering Authority re-imbursement.

2019/20 £000	Current Assets & Liabilities	2018/19 £000
	Assets	
17,666	Contributions due	17,270
-	Amounts due from external managers	417
7,431	Accrued and outstanding investment income	344
15,402	Sundries	14,192
(90)	Provision for credit losses	(157)
1,212	Cash at bank	3,347
41,621	**Current Assets**	**35,413**
	Liabilities	
-	Amounts due to external managers	165
3,222	Retirement grants due	2,177
511	Provisions	494
12,362	Miscellaneous	14,138
16,095	**Current Liabilities**	**16,974**
25,526	**Net Current Assets**	**18,439**

Note 21 Contractual Commitments

Commitments for investments amounted to £1,154 million as at 31 March 2020. (2018/19 £1,064 million). These commitments relate to Private Equity £580.80 million, Infrastructure £229.52 million, Opportunistic Credit £87.21 million, Indirect Property £229.76 million and Other Alternatives (£26.93 million). As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

Note 22 Contingent Assets

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

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

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

Note 23 Related Party Transactions

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

Management expenses include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £4.0 million. (2018/19 £3.7 million). Such charges principally relate to staffing required to maintain the pension service. Central, Finance and IT costs are apportioned to the Fund on the basis of time spent on Fund work by Wirral Council. There was a debtor of £8.9 million (2018/19 £10.3 million) and a creditor of £337,020 as at 31 March 2020 (2018/19 £341,033).

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 7 and in respect of March 2020 payroll are included within the debtors figure in note 20.

A specific declaration has been received from Pension Committee Members, Pension Board Members and principal officers regarding membership of, and transactions with, such persons or their related parties. A number of Members act as Councillors or Board members of particular Scheme employers, listed below, who maintain a conventional employer relationship with the Fund:

Liverpool City Council, Knowsley Council, Sefton Council and St Helens Borough Council, Wirral Council, Knowsley Youth Mutual, Whiston Town Council, Rainhill

Parish Council, One Vision Housing, CDS Housing, Greater Hornby Homes and Wirral Partnership Homes (also known as Magenta Living). The value of the transactions with each of these related parties, namely the routine monthly payments to the Fund of employers' and employees' contributions, is determined by the LGPS Regulations, and as such, no related party transactions have been declared.

Peter Wallach, Director of Pensions acts in an un-remunerated board advisory capacity on five investment bodies in which the Fund has an interest, Eclipse (£11.5 million), Aberdeen Standard Secondary Opportunities Funds (£14.8 million), BMO Asset Management (£22.4 million), GLIL (£119.1 million) and NPEP (£21.0million).

Linda Desforges, Senior Portfolio Manager acts in an un-remunerated board advisory capacity on eleven investment bodies in which the Fund has an interest, Aberdeen Standard Secondary Opportunities Funds (£14.8 million), BBH Capital (£14.5 million), TEO Plc (£16.1 million), GCM Grosvenor Co-Investment Fund (£8.2 million), BMO Asset Management (£22.4 million), Capital Dynamics (£239.9 million), Key Capital Partners (£1.7million), Palatine (£17.2 million), Shard Credit (£8.5 million), Silver Street Capital (£7.5 million) and HarbourVest Co-investment Fund V part of NPEP.

Susannah Friar, Property Manager acts in an un-remunerated board advisory capacity on fourteen investment bodies in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£4.0 million), Bridges Property Alternatives IV (£1.2 million), Century Bridge China Real Estate Fund II (£8.0 million), Phoenix Asia Secured Debt Fund (£5.3 million), Alma Property Partners (£10.4 million), Barwood Property (£11.7 million), Chenavari Real Estate Fund III (£9.4 million), Newcore Strategic Situations IV (£11.7 million), Hearthstone Residential Fund I (£15.0 million), European Student Housing Fund II (£12.8 million), Locust Point Private Credit Fund (£7.5 million), Barwood Regional Growth IV (£2.0 million), Alma Property Partners II (£3.2 million) and Deautsche Finance International Fund I (£6.9million).

Adil Manzoor Portfolio Manager, acts in an un-remunerated board advisory capacity on nine investment bodies in which the Fund has an interest, Standard Life Infrastructure Fund I (£11.5 million), Blackrock GRP Fund I (£15.0 million) and AMP GIF II (£11.2 million), Virtus (£29.2 million), Impax New Energy Investors III LP (£3.2 million), AMP GIF I (£39.4 million), P3P Hoddesdon LP (£6.3 million), P3P NI LP (£16.7 million) and MEIF6 (£3.3 million).

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

Key Management Personnel

The Fund's senior management during 2019/20 was comprised of six individuals: the Director of Pensions, the Head of Pensions Administration, Senior Portfolio Managers (x3) and Head of Finance & Risk, the remuneration paid to the senior management during 2019/20 was £418,149 (2018/19 £402,649). In addition,

employer contributions of £64,481 (2018/19 £58,063) was also met from the Fund and charged to the Fund Account.

Note 24 Additional Voluntary Contribution Investments

2019/20 £000	Additional Voluntary Contribution (AVC) Investments	2018/19 £000
	The aggregate amount of AVC investments is as follows :	
2,003	Utmost Life	1,985
5,061	Standard Life	5,286
9,312	Prudential	8,739
16,376		**16,010**
	Changes during the year were as follows:	
5,134	Contributions	3,394
4,531	Repayments	3,685
(237)	Change in market values	386

The Equitable Life Scheme transferred to Utmost Life on 1 January 2020.

Scheme Employers with Active Members as at 31 March 2020

Scheduled Bodies

Academy of St Francis of Assisi

Bellerive FCJ Catholic College

Billinge Chapel End Parish Council

Birkdale High School (Academy)

Birkenhead High School Academy

Birkenhead Sixth Form College (Academy)

Bishop Martin CE Primary

Blacklow Brow School (Academy)

Blue Coat School (Academy)

Carmel College

Calday Grange Grammar School (Academy)

Chesterfield High School (Academy)

Chief Constable

Childwall Sports and Science Academy

Christ Church Moreton Primary (Academy)

Church Drive Primary

Church Town Primary (Academy)

Co-op Academy Bebington

Co-op Academy Portland

Co-op Academy Woodslee

Cronton C of E Primary (Academy)

Cronton Parish Council

Croxteth Community Primary School (Academy)

De la Salle Academy

Deyes High School (Academy)

Eccleston Parish Council

Edsential SLE

Egremont Primary School (Academy)

Everton Free School (Academy)

Finch Woods Academy

Formby High School (Academy)

Garston C of E Primary School (Academy)

Great Meols Primary School (Academy)

Greenbank High School (Academy)

Halewood Academy Centre for Learning

Halewood C of E Primary (Academy)

Halewood Town Council

Halsnead Primary School (Academy)

Harmonize (Academy)

Hawthornes Free School

Heygreen Community Primary (Academy)

Hilbre High School (Academy)

Hillside High School (Academy)

Holy Trinity CE Primary (Academy)

Hope Academy

Hugh Baird College

Huyton with Roby CE Primary (Academy)

Kings Leadership Academy (Liverpool)

Kirkby High School

Knowsley Lane Primary School (Academy)

Knowsley M.B.C.

Knowsley Town Council

LDST – Liverpool Diocesan Schools Trust (Academy)

Litherland High School (Academy)

Litherland Moss Primary (Academy)

Liverpool City Council

Liverpool City Region Combined Authority (LCRCA)

Liverpool College (Academy)

Liverpool John Moores University

Liverpool Life Science UTC (Academy)

Liverpool Street Scene Services Ltd

Lord Derby Academy

Maghull High School (Academy)

Maghull Town Council

Merseyside Fire & Rescue Authority

Merseyside Passenger Transport Executive (MPTE)

Merseyside Recycling and Waste Authority

New Park Primary (Academy)

North Liverpool Academy

Nutgrove Methodist Aided Primary

Office of the Police and Crime Commissioner for Merseyside (OPCCM)

Oldershaw Academy

Our Lady of Pity RC Primary School (Academy)

Parish CE Primary (Academy)

Park View Academy

Poulton Lancelyn Primary School (Academy)

Prenton High School for Girls (Academy)

Prescot Town Council

Rainford High School (Academy)

Rainford Parish Council

Rainhill Parish Council

Rainhill High School (Academy)

Rainhill St Anns CE Primary School (Academy)

Range High School (Academy)

Roscoe Primary (Academy)

School Improvement Liverpool Ltd

Sefton M.B.C.

Shared Education Services Ltd

Shoreside Primary School

Southport College

St Andrew’s CE Primary (Academy)

St. Anselms College (Academy)

St. Edwards College (Academy)

St. Francis Xavier's College (Academy)

St Gabriel’s CE Primary

St. Helens College

St. Helens M.B.C.

St James’ Primary School (Academy)

St John Plessington Catholic College

St Joseph’s Primary (Academy)

St Margaret Church of England Academy

St Mary & St Thomas CE Primary School (Academy)

St Marys Catholic College

St Michael's C of E High School (Academy)

St Silas C of E Primary School (Academy)

St Thomas C of E Primary (Academy)

Stanley High School (Academy)

Stanton Road Primary School

Studio @ Deyes Academy

Sylvester Primary Academy

The ACC Liverpool Group Ltd

The Academy of St Nicholas

The Beacon C E Primary School (Academy)

The Belvedere Academy

The Birkenhead Park School

The City of Liverpool College

The Prescot School (Academy)

The Studio (Academy)

The Sutton Academy

Town Lane Infant School (Academy)

Townfield Primary School (Academy)

Upton Hall School (Academy)

Weatherhead High School (Academy)

West Derby School (Academy)

West Kirby Grammar School (Academy)

Whiston Town Council

Whiston Willis Primary (Academy)

Willow Tree Primary

Wirral Council

Wirral Evolutions

Wirral Grammar School for Boys (Academy)

Wirral Grammar School for Girls (Academy)

Wirral Metropolitan College

Woodchurch High School (Academy)

Yew Tree Primary Academy

Admission Bodies

Absolutely Catering (Longmoor)

Absolutely Catering (St Oswald's)

Addaction (Sefton)

Age Concern – Liverpool

Agilisys Limited

Agilisys Ltd (Sefton)

Arriva North West

Association of Police Authorities

Balfour Beatty PFI SEN School

Balfour Beatty Workplace

Berrybridge Housing Ltd

Birkenhead School (2002)

Bouygues E & S FM UK Ltd

Care Quality Commission

Castlerock Recruitment Group Ltd

Caterlink Ltd

Catholic Children's Society

CDS Housing

Change Grow Live

Citizens Advice Liverpool

City Heath Care (St Helens)

Cobalt Housing Ltd

Commutual

Compass Contract Services (UK)

Compass (Scolarest) Liverpool Schools

Compass (Scolarest) Wirral Schools

CWP (NHS)

Dolce Ltd

Friends of Birkenhead Council Kennels

Fun 4 Kidz

Glenvale Transport Ltd/Stagecoach

Graysons Education

Greater Hornby Homes

Greater Merseyside Connexions

Hochtief Liverpool Schools

Hochtief Wirral Schools

Interserve (Facilities Management) Ltd

Kingswood Colomendy Ltd.

Knowsley Youth Mutual

L&T FM (Chroda)

Lee Valley Housing Association Ltd

Liverpool Hope University

Local Government Association

Mellors Catering – Birkdale

Mellors Catering – St Anns

Mellors Catering – St Mary & St Thomas

Mellors Catering - St Paul & St Timothy

Merseyside Lieutenancy

North Huyton Communities Future

Orian Solutions

Partners Credit Union

Port Sunlight Village Trust

Sanctuary Home Care Ltd

Sefton New Directions Ltd.

Siemens Mobility Ltd

South Liverpool Housing Ltd

Southern Electric Co Ltd

Tarmac Trading Ltd

Taylor Shaw (Great Meols)

Taylor Shaw (Hugh Baird)

Taylor Shaw (Raeburn)

Taylor Shaw (Range)

Taylor Shaw (St Andrews)

Torus 62 Ltd

Veolia ES Merseyside & Halton

Volair Ltd

WCFT (NHS)

Welsh Local Government Association

WIRED

Wirral Autistic Society (Autism Together)

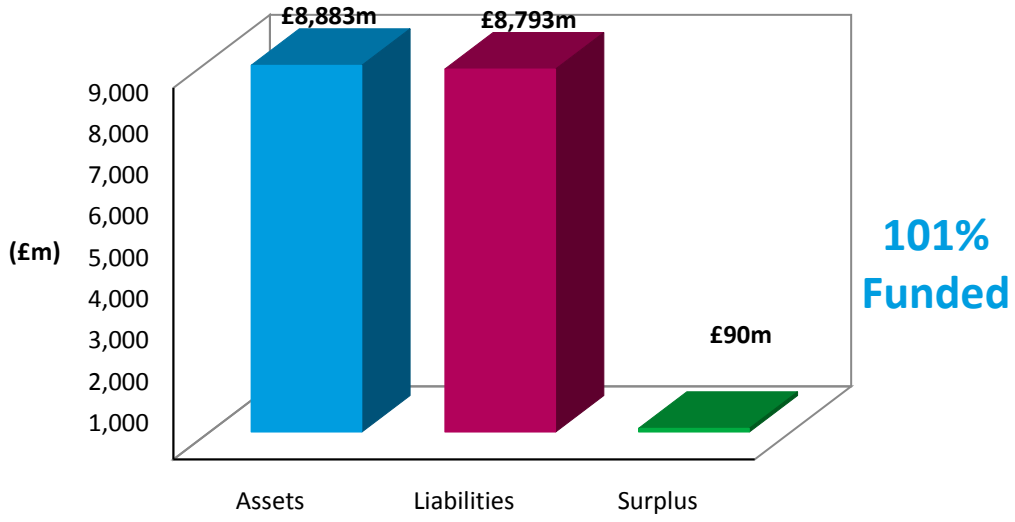
Wirral Partnership Homes (Magenta)

MERSEYSIDE PENSION FUND
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020 - STATEMENT BY THE CONSULTING ACTUARY

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

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £8,883 million represented 101% of the Fund's past service liabilities of £8,793 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £90 million.



The valuation also showed that a Primary contribution rate of 17.2% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 13 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) is an addition of

approximately £0.2m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

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

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

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

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.15% per annum	4.65% per annum
Rate of pay increases (long term)*	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to

result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £65million and an increase in the Primary Contribution rate of 1.0% of Pensionable Pay per annum. To the extent that employers have opted to pay additional contribution over 2020/23 in relation to the McCloud judgment, these emerge in the Secondary Contribution Rate figures quoted above.

Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.2% per annum	2.1% per annum
Rate of pay increases*	3.7% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% per annum

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £12,265 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£294 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£64 million (this includes any increase in liabilities arising as a result of early retirements/augmentations and the potential impact of GMP Indexation – see comments elsewhere in this statement). There was also a decrease in liabilities of £860 million due to "actuarial gains" (i.e the effects of the *changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).*

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £11,763 million.

GMP Indexation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £41 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

Paul Middleman
Fellow of the Institute and
Faculty of Actuaries

Clive Lewis
Fellow of the Institute and
Faculty of Actuaries

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Changes to Wirral Council Draft Statement of Accounts 2019/20

This appendix sets out the items identified either by the Council to the auditors or by the auditors to the Council, and whether changes have been made to the accounts during the audit process.

#	Description	Financial impact on CIES and Balance Sheet	Changes made to Accounts
1	Note 18 and 47 Financial Instruments – reclassification of two investments from Fair Value through Other Comprehensive Income to Fair Value through Profit and loss. The change is not material for the CIES. 1) CCLA investment of £1m 2) Public Sector Social Investment Fund investment of £10m	Not Material for CIES	Yes
2	Note 14 Property Plant and Equipment. Assets to the value of £895k have been identified as no longer in existence. These will be corrected in 2020/21 financial year, as the value does not materially misstate the accounts.	Not material	No
3	Note 42 Concessionary arrangements – PFI liabilities The model Grant Thornton use to compare against the Council modelling shows a variance of £0.4m which could be due to different attributes / inputs. A onerous contract exists between the DfE and the Council which has not been recognised.	None	No
4	Change to note 10, Other Operating Expenditure and note 11, Financing and Investment Income and Expenditure, to correctly report the disposal/transfer of schools to Academies.	None	Yes
5	Note 13 Expenditure and Income analysed by Nature, additional table added.	None	Yes
6	Note 40 Capital expenditure and Funding and Unusable note 26 updated to correctly report REFCUS and Grants. £1.2m was incorrectly analysed in the original notes.	None	Yes

#	Description	Financial impact on CIES and Balance Sheet	Changes made to Accounts
7	Note 35 Officers' Remuneration, heading changed to report £ and not £000 on exit package table.	None	Yes
8	Note 38 Grant Income, updated to correctly disclose the values of grants for: 1. Improved Better Care Fund (from £2.602m to £2.546m) 2. Wirral Ways to Work (from £1.736m to £1.423m) 3. Housing Benefit grant (from £83.5m to £96.4m)	None	Yes
9	Note 39 Related Parties. Updated to report the correct in year transactions with Wirral Evolutions as the VAT was included in the original values.	None	Yes
10	Note 18 Financial Instruments. Included text under the heading Financial Assets to include the investment with the Public Sector Impact Fund (PSSIF) and move from hierarchy level 2 to level 3.	None	Yes
11	Narrative Report and Note 6 Events after the balance sheet date have been updated to reflect the current budget and Covid-19 position of the authority.	None	Yes
12	Note 4 Assumptions made about future and other major sources of estimation uncertainty. This will be updated to reflect the updated for the Pension Liability as MPF have updated their note to provide more detail about the material valuation uncertainty.	None	Yes
13	Note 35 - Exit packages £5k misstatement	None	No
14	Note 46 – External Audit Costs, additional narrative relating to 18/19 to report subscription for £13k	None	Yes
15	Note 3 – Critical Judgements narrative to include Going Concern statement	None	Yes
16	CIES / Note 7 and Note 13 updated to eliminate the reporting of recharges to avoid double counting of income and expenditure, no impact on net	None	Yes
17	Note 43 – Pension fund narrative to include three schools who don't use Council services and also include text that the liability includes an estimate for McCloud liabilities	None	Yes
18	Note 37 – sign conventions changed to fall in line with CIFPA	None	Yes
19	Notes 27 and 28 – updated narrative for 18/19 restatement	None	Yes

#	Description	Financial impact on CIES and Balance Sheet	Changes made to Accounts
20	Note 2 – updated to reflect deferment of IFRS 16	None	Yes
21	CIES updated to remove internal recharges	None	Yes

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Grant Thornton

The Audit Findings for Wirral Council

Year ended 31 March 2020

23 December 2020

Contents

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Wirral Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council . The Council has had to face immediate frontline challenges from providing humanitarian aid and supporting the care sector to handling the administration of grants to businesses, closure of some schools and car parks, to the additional challenges of reopening services under new government guidelines. Council staff including those within the finance teams have been redeployed to services elsewhere within the Council to ensure responses to the emergency were appropriately delivered. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the CIPFA Code of Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 21 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our Value for Money (VfM) approach. Further detail is set out on page 8. Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to the challenges of new remote access working arrangements to carry out the audit, for example remote accessing financial systems, video calling, physical verification of assets and completeness accuracy of information produced by the entity. The financial statements were provided to the team on 28 August 2020 when they were also published on the Council's website in order to meet the revised deadline. The financial statements were produced with the use of the CIPFA toolkit for the first time which enabled the finance team to share supporting working papers with the audit team remotely.
Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed on site/remotely during September- December. Our findings are summarised on pages 7 to 27. We have not identified any adjustments to the financial statements that have resulted in a material adjustment to the Council's Net Comprehensive Income and Expenditure Statement. We have identified that the Council has included internal recharges in its Gross Income and Expenditure. This has led to a material overstatement of these balances, c£12m. The Council has adjusted for these balances. There is a residual non material error remaining. We have agreed with the Council that it will reclassify the PSSIF and CCLA funds as Fair Value Profit and Loss. At present any increases or reductions in the value of the asset would be subject to a statutory override and will not impact on income and expenditure. From 2023 this override will be removed and any movements in value will impact the Council's income and expenditure and reserve position. The Council will need to monitor this closely as the PSSIF investment cannot be exited for 10 years. Our anticipated audit report opinion will be unmodified. We propose that our audit report will include an Emphasis of Matter paragraph, highlighting the material uncertainties in asset valuations stated in the Council's accounts and in the Pension Fund accounts due to the Covid-19 pandemic. This will draw attention to this issue and is not a qualification of our audit opinion. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Wirral Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix E or material changes to the financial statements, subject to the following outstanding matters; • Debtors – complete testing • BDP – clearance of review points • Other Services expenditure / Fees, charges, and other service income / EFA • completion of the partner review of audit work, including any review queries • receipt of management representation letter - see appendix F; and • review of the final set of financial statements.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Wirral Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. The Council faces an increasingly difficult financial position. In 2019/20 the Council was only able to achieve a balanced position by drawing c£25.271m from reserves. While we note that £7m was added to other reserves, this is not a sustainable position and the Council now has limited reserves to call upon to balance its budget. We note that the Council consider that the majority of reserves were used for non recurrent expenditure. For 2020/21 the Council is forecasting a budget deficit of £14.774m. Without the Government's agreement to a capitalisation directive the Council is likely to incur a significant deficit in 2020/21 and will need to use the majority of its remaining available reserves to balance its revenue budget. For 2021/22, if the capitalisation directive is not approved, the Council may need to issue a s114 notice under the Local Government Finance Act 1988 and restrict all new expenditure. Looking forward, the Medium Term Financial Strategy 2021 sets out a £40m to £61.7m budget gap over the next five years. Officers have subsequently produced a plan (in December 2020) that will bring the Council back into financial balance by 2021/22. It is important that the Council continues to take every action possible in the coming months to reduce its expenditure, and the likelihood of a deficit, in 2020/21. We note that it is also putting in place plans to reduce its expenditure in 2021/22. These plans assume the Government's agreement to the capitalisation of revenue expenditure and would be insufficient if approval was not given. As such, the Council also needs to consider what action it would take to reduce services should the capitalisation directive not be approved. The most likely course, should the capitalisation directive not be secured, is the issue of a s114 notice under the Local Government Finance Act 1988 and a ban on all new expenditure. We note that the capitalisation directive will only provide support to the Council for 2020/21 and 2021/22. As such, the Council needs to ensure that it delivers against its revised MTFS. It will need to put it place clear plans to reduce its future recurring service expenditure and move to a balanced revenue position that does not rely on reserves. We have concluded that Wirral Council does not have proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an adverse value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 28 to 37. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Wirral Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the but are unable to issue our completion certificate until we completed the Whole of Government Accounts return.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 21 April 2020 to reflect our response to the Covid-19 pandemic. This included a new significant financial statement risk.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Risk Management Committee meeting on 11 January 2021, as detailed in a separate attachment to the agenda. These outstanding items are detailed on page 4.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan and addendum.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	11.181m	We have determined materiality as 1.5% of gross operating expenditure for the year. This is in line with the standard approach and reflects the risks associated with the Council's financial performance.
Performance materiality	8.386m	Assessed as 75% of financial statement materiality and based on our knowledge of the Council and consideration of previous audit findings and adjustments
Trivial matters	0.559	Assessed as 5% of financial statement materiality
Materiality for Senior Officer remuneration	0.02m	The senior officer remuneration disclosure has been identified as an area requiring specific materiality of £20,000. This is due to the sensitivity of disclosures in this area.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid– 19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	Management's focus has been (appropriately) on its work with the vulnerable and it has focussed the Council's resources on food aid, care sector support, PPE provision, and business grants. From an audit perspective we: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 28 August 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. • engaged the use of auditor experts for higher risk (Cat 1/Cat 2) audited bodies **Results:** Based on our work to date, we obtained sufficient audit assurance to conclude that financial forecasts and the cashflow analysis of the Council supports the ability for the Council to prepare the accounts on a going concern basis We will however be including an Emphasis of Matter paragraph, highlighted material uncertainties with regard to the valuation of land and buildings, housing, and investment properties due to the issues raised by the Council's valuers in their valuation reports. The issues raised are common across all Councils valuations. The use of an Emphasis of Matter paragraph is not indicative of any control weaknesses; it simply reflects the valuer's conclusions that as a result of the Covid-19 pandemic and the subsequent lockdown and impact on market activity, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. We will include a similar emphasis of matter relating to pension fund property valuations.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable 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.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition. • opportunities to manipulate revenue recognition are very limited. • the culture and ethical frameworks of local authorities, including the Council and Fund, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for Wirral Council's accounts. **Results:** We have however: • evaluated the Council's accounting policy for recognition of revenues for appropriateness • performed substantive testing on material revenue streams; and • reviewed unusual significant transactions. Our audit work has not identified any issues in respect of improper revenue recognition.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have performed the following: • Evaluated the design effectiveness of management controls over the journals; • Analysed the journals listings and determined the criteria for selecting high risk unusual journals; • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness; • Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regards to corroborate evidence; • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions **Results:** Our review of the journals posted during the year identified that a large number of journals are both posted and authorised by the same person which is considered a risk of management override of controls. Whilst our testing of a sample of journals did not give rise to evidence of management override of controls, the Council should look to reviewing its journal controls processes to reduce the risk in this area. We have included a recommendation for this area, See page 40. We note that the Council has already taken action for the 2020/21 financial year and has introduced controls over journal processing.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of land and buildings The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£645m as at 31 March 2019) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements in not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. Furthermore since we issued our Audit Plan, the impact of the Covid-19 pandemic has resulted in material uncertainties on the net liability valuation.	**We have:** • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code were met • used our own valuation expert Wilkes Head and Eve to evaluate the terms of the engagement for the valuer and valuation report produced by the Valuer • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. **Audit Findings**: • The Council uses its own In-House Valuer to value its Land and Buildings. The Valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using their existing knowledge of the Council's property portfolio. A sample of 20% of the assets as per the rolling programme and those considered to be of high value were revalued as at the 31 March 2020 with the Valuer undertaking site visits in order to carry out their valuations. For the remainder of the assets (£30m Net Book Value) an assessment of the expected movement values was performed, using the results of the sampled revaluations and knowledge of the market conditions both nationally and locally during the period up to 31 March 2020. • We have considered the movements in valuation and carried out the procedures set out above, including comparison of movements since the previous valuation with appropriate Market Movement indices. This provided assurance that valuation movements are in line with expectations and based on reasonable assumptions. • The valuation certificate stated that the total assets value as at 31 March 2020 was £522m, which included the net book value of the Co-op Bebington High School which converted to Academy status from its previous Foundation status during 2019/20. The asset is no longer reflected in the Balance Sheet and Council's Fixed Asset Register and should not have been included within the total assets value in the valuation certificate. Testing confirmed that the asset had been correctly removed from the financial statements and that it was an error in the valuation certificate. A revised valuation certificate has been issued. .

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of land and buildings - continued	**Disclosures regarding material valuation uncertainty** The outbreak of Covid 19 has caused uncertainty in property markets. The valuer did not initially make reference to this in the Valuation Certificate. Following discussions the valuer confirmed that the RICS Valuation – Global Standards had been adhered to and that the potential impact of the Covid-19 pandemic (leading to less certainty and a higher degree of caution in valuations than would normally be the case) had been taken into account when making the appropriate valuations. As a result, the valuer has included reference to a material valuation uncertainty in the revised valuation certificate. The material valuation uncertainty has been disclosed in Note 5 Estimation and Uncertainty of the financial statements. We consider the disclosure is sufficiently detailed to meet the requirements of the accounting standards and that it is important to a readers understanding of the financial statements. As such, we plan to draw attention to the uncertainty through the inclusion of an Emphasis of Matter paragraph within the audit report. This does not constitute a qualification of the audit opinion. We are satisfied that the value of Property, Plant and Equipment is not materially misstated within the financial statements.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£539m in the Council's balance sheet at 31 March 2019) and the sensitivity of the estimate to changes in the key assumptions. We have therefore identified valuation of the Council's pension fund net liability as a significant risk which is one of the most significant assessed risks of material misstatement. Furthermore since we issued our Audit Plan, the impact of the Covid-19 pandemic has resulted in material uncertainties on the net liability valuation.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the information provided by the Council to the actuary to estimate the liability • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • tested the consistency of the pension fund asset liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • assessed the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud and Guaranteed Minimum Pension cases. • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • obtaining assurances from our audit of the Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements **Audit Findings** The fund managers for the Pension Fund's pooled investment reported that valuations of these investments were subject to 'material valuation uncertainty' as at 31 March 2020, as result of the impact of the Covid-19 pandemic on market activity in the real estate sector, meaning that less certainty, and a higher degree of caution, should be placed on the recorded valuation of these assets than would otherwise be the case. As approximately 13.47% of the Pension Fund's assets are attributable to the Council as the administering authority for the Fund, this material uncertainty impacts in turn upon the valuation of the net defined benefit liability in the Council's balance sheet. The Pension Fund Auditor has included an emphasis of matter in the audit report drawing attention to a material valuation uncertainty relating to the Fund's property portfolio. This has resulted in additional disclosures in the Council's financial statements for Note 5 – Assumptions made about future and other major sources of estimation uncertainty. We will also be including an emphasis of matter paragraph in the auditor's report drawing attention to this material valuation uncertainty. This does not constitute a qualification of the audit opinion. MHCLG is consulting on a remedy for the McCloud judgment that we reported upon last year. The Council's actuary has made assumptions in respect of the liability to reflect the proposed remedy. At whole fund level, the Council's actuaries expect the McCloud remedy to have a negligible cost impact and on these grounds we are satisfied that no amendments or disclosures are required.

Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation has now been delayed by two years Although the implementation of IFRS 16 has been further delayed to 1 April 2022 audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	Management disclosed in Note to the financial statements the title, date of initial application and the nature of changes in accounting policy which would arise from IFRS 16. Management has estimated that the impact based on current operating lease non-cancellable obligations is £2.1m which will be brought onto the balance sheet for 2021/22. This would be immaterial to the financial statements based on current materiality.	Due that the implementation of the standard has been further delayed we will look to review the work completed by management in relation to IFRS 16 in the next financial year. The emphasis of our review will be on whether the balance identified for recognition on the balance sheet is complete and not understated.
Existence of vehicles, plant and equipment The Balance Sheet includes £14.5m of vehicles, plant and equipment which is disclosed separately in Note 14 to the financial statements. To gain assurance over the existence of this balance, our audit approach involves testing a sample of the assets for proof of existence through physical verification.	The audit testing carried out identified one item of vehicles, plant and equipment which could not be located and resulted in extending the sample of assets tested. The outcome of this additional testing was that a further three assets could also not be located. As a result of the audit testing Management carried out a review of the vehicles, plant and equipment recorded on the Council's fixed asset register which resulted in assets to the value of £895k which have been identified as no longer in existence.	The value of the assets no longer in existence is above trivial but below materiality. Management have made the decision not to adjust as the value does not materiality misstate the accounts. The fixed asset register and accounts will be corrected in 2020/21. We recommend a review of the fixed asset register is carried out in 2020/21 to ensure that it accurately represents the assets owned by the Council.

Significant findings – other issues

Issue	Commentary
Financial Instruments The Council invested £10m in a new pooled investment fund during 2019/20, the Public Sector Social Impact Fund. The fund has been set up by Warrington Borough Council and Atlana Wealth and the Council considers this investment to be a long term strategic investment held to receive regular dividend income and not for growth or to sell. The purpose of the fund is to invest in UK based enterprises with a social impact space. The Council has an existing investment valued at £0.9m as at 31 March 2020 in the CCLA pooled investment vehicle.	Management made an irrevocable election, upon initial purchase in accordance with IFRS 9, to designate the investment as Fair Value through Other Comprehensive Income as it considered the investment to meet the definition of equity instrument. A review of the pooled investment fund was carried out and it was determined that the investment does not meet the definition of equity instrument. The equity Fair Value through Other Comprehensive Income designation is only available to the holder (the Council in this instance) if from the issuer's perspective of the same instrument meets the definition of equity as defined by IAS 32. It is of our view that it does not due to the fact the Council will be able to demand the investment back at the end of the term of the investment period and the issuer cannot refuse. In our Audit Findings Report for 2018/19 we reported that our view was that the CCLA investment did not meet the definition of equity for the issuers and so the designation is inappropriate. At the time we considered the Council's treatment, which was based on external independent advice to be a departure from the Code, although these assets and related gains and losses were not material at the reporting date. This is still our view. We have discussed our views with management who have made the decision to adjust the accounts for these findings and to reclassify both the Public Sector Impact Fund and CCLA investments from Fair Value through Other Comprehensive Income to Fair Value through Profit and Loss. At present any increases or reductions in the value of the asset would be subject to a statutory override and will not impact on income and expenditure. From 2023 this override will be removed and any movements in value will impact the Council's income and expenditure and reserve position. The Council will need to monitor this closely as the investment cannot be exited for 10 years.
Comprehensive Income and Expenditure Statement – inclusion of internal recharges Our testing of the gross income and expenditure identified that internal recharges between Council service directorates have not been correctly netted off in the Comprehensive Income and Expenditure Statement (CIES). The inclusion of internal recharges results in the CIES not complying with the Code as internal recharges do not meet the definitions of income and expenses because they are not an inflow/outflow of economic benefit to and from the Council as a whole whose performance it is that is being reported. These internal recharges do not result in an increase or decrease in reserves.	Management has carried out an initial review of the 'Spreadsheet' journal source of the General Ledger where adjustments are posted. This initial review identified £13m of internal recharges which were included in both the income and expenditure sides of the CIES. The impact of this is a material misstatement of a qualitative nature due to both the income and expenditure within the CIES being overstated. Management have adjusted for this matter. Our work in this area is still ongoing to gain sufficient assurance that the correct income and expenditure is disclosed in the Council's financial statements.

Significant findings – other issues

Issue	Commentary
Onerous contract in relation to the PFI liability As a result of the closure of the former Kingsway Academy School, the Council still has a contractual obligation to make the PFI unitary payments to the PFI Partner, Wirral Schools' Services Ltd. The Council currently includes this liability within the full balance of the lease liability. The Council considers that the school will be vacant for a period of three years. An agreement has been made with the Department of Education that it will support the Council for a period of three years once the school building returns to the Council's legal ownership by contributing towards the unitary payments, a total of £1.5m. There remains a shortfall for which the Council is liable for.	In our view this represents an onerous contract because the Council has unavoidable contractual costs for which it receives no service potential. The three year unitary payment apportioned to Kingsway Academy less the Department for Education's contribution should be recognised as a liability on the balance sheet with the costs charged to the CIES. The Council already recognise in full the financial liabilities associated with the PFI scheme. However, it has not provided for the service element of the onerous contract. The impact is that there is an under provision for the onerous contract which although is not material is estimated to be above trivial. We estimate that this is £0.6m over the 3 year period that the Council considers the school will be vacant for. If the period of vacant possession continues beyond this timeframe then the estimate of the onerous contract would increase further. Management consider that the amount is not material and have determined that they will not adjust for it. We have classed this as an unadjusted error. The Council needs to ensure that the school is brought back into use as soon as possible to ensure that it is getting appropriate value from the asset and to avoid a significant onerous contract charge to the CIES.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £471m	Other land and buildings comprises £445m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£26m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its in house Valuer to complete the valuation of properties as at 31 March 2020 on a five yearly cyclical basis. 42% of total assets were revalued during 2019/20. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5. The valuation of properties valued by the valuer has resulted in a net increase of £12.8m. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 March 2020, by applying the percentage increase identified for individual assets valued to the class of assets non-valued combined with local knowledge of known market movements to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value. Investment property and surplus assets are requirement to be valued annually and at fair value.	• We have assess the Council's in-house valuation team to be competent, capable and objective with appropriate separate reporting lines to avoid management bias. • We have carried out completeness and accuracy testing of the underlying information provided to the valuer to determine the estimate. • We have challenged the assumptions applied by the valuer in the calculations • The valuation method remains consistent with the prior year • We confirm the consistency of the estimate against the Gerald Eve market movement report, by creating an expectation of valuation movements based upon Gerald Eve market index data and comparing to actual valuation movements recorded. • We have agreed the General Fund valuation report to the Fixed Asset Register and Statement of Accounts.	●

Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Auditor commentary
Land and Buildings – Other - £471m	We have used Wilks Head and Eve as our auditor expert to assess the valuer and assumptions made by the valuer – see table below for the work completed and our responses:

Area of review	Wilks Head and Eve comment	Audit team follow up	Assessment
Review of whether the valuation reports have been prepared in line with relevant legislation.	The valuation certificate outline that the valuations have been provided in line with the RICS valuation – Global Standards which incorporate the International Valuation Standards (IVS) and the RICS UK National Supplement. The Report also include all the expected elements required.	N/A	GREEN
Nature of and source(s) of information upon which the valuer will rely	The valuer has not outlined the nature and source of any relevant information that is to be relied upon and the extend of any verification that will be undertaken during the valuation process.	Our work includes review of and challenge of the source information and no issues have been identified in relation to this area.	GREEN
Disclosure of assumptions and special assumptions used in the valuation	The valuer has not outlined the general assumptions which have been adopted as part of the process.	The individual asset valuation reports contain the detail of the general assumptions and we have shared as sample of these reports with our audit expert for comment.	GREEN
Material uncertainty	The valuer has not specifically referenced the RICS guidance in relation to material valuation uncertainty with the valuation report, although they have referenced that the current Pandemic may have a material impact on the valuations completed and the situation will be monitored moving forward.	A revised valuation certificate has been provided to include the appropriate material valuation uncertainty as a result of the Covid-19 pandemic.	GREEN

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Investment Property £24.68m	The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year at 31 March. The Council has engaged its In-house Valuer to complete the valuation of these properties. The year end valuation (net book value) of the Council's investment property portfolio was £24.68m a net decrease of £2.68m from 2018/19 (£27.36m). Management and their valuer have taken into account available market data at 31 March 2020. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's Investment Property at 31 March 2020 as a result of Covid-19. The Council has included disclosure of this in Note 4.	• We have engaged our own valuer to assist with our work and challenge in this area. • We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. • There have been no changes to the valuation method this year. • Disclosure of the estimate in the financial statements is considered adequate. We will refer to the uncertainties disclosed in Note 4 in our audit report. • We have considered the completeness and accuracy of the underlying information used to determine the estimate. We have no issues to support on this matter.	

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £472m	The Council's total net pension liability at 31 March 2020 is £472m (PY £539m) comprising the Merseyside Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from (this scheme/these schemes). A full actuarial valuation is required every three years. The Council's actuary disclosed a material uncertainty in the valuation of the Council's pension fund liability at 31 March 2020 as a result of Covid-19 (Note : only applicable if a material uncertainty was referred to in the actuary report). The Council has included disclosures on this issue in Note 4 – Assumptions made about future and other major sources of estimation uncertainty. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy ,discount rates ,salary growth and investment return .Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £98.467m net actuarial gain during 2019/20.	• We have no material concerns over the competence, capabilities and objectivity of the actuary used by the Council. • We have used the work of PwC, as our auditors' expert, to assess your actuary, and assumptions made by your actuary. See below for consideration of key assumptions in your pension fund valuation: • We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate. • We have confirmed there were no significant changes in 2018/19 to the valuation method. • Our work confirms that the decrease in the IAS 19 estimate is reasonable	GREEN

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.4 – 2.3%	●
Pension increase rate	2.2%	2.1%	●
Salary growth	3.6%	1.15 – 1.5% above CPI	●
Life expectancy – Males currently aged 45 / 65	45: 22.5 65: 20.9	45: 22.5-24.7 65: 20.9-23.2	●
Life expectancy – Females currently aged 45 / 65	45: 25.9 65: 24.0	45: 22.5-24.7 65: 25.9-27.7	●

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Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – going concern

Going concern commentary

Management's assessment

In 2019-20 the Council reported a balanced Outturn against a planned activity of £277.2m. The General Fund balance remained at £10.676m.

The Council presented the 2020-21 Budget and the MTFP to cover the period from 2020-25, both of which were approved at Cabinet in February and Council in March 2020; prior to Covid-19. As Covid-19 pandemic hit the country in late March 2020, the impact on the residents, business and the Council has predominantly affected the 2020/21 financial year, with an estimated budget variance of £24.1m at Q2.

Covid funding received for Council revenue budgets has been increased during 2020 by £41.6m. An amended revenue budget had been put to Policy and Resources and then to Full council for approval based on the Q1 forecast, a further recommendation based on Q2 forecast has been sent to Policy and Resources and then to Full Council, to recognise the additional revenue budget. The total funding expected is £160.6m (revenue budget funding of £41.6m and £119m of funding to be passported, or partially passported, to other organisations on behalf of the Government). The Council is also experiencing pressures on savings, pressures of growth in year, the additional costs borne from Covid-19 response including associated income losses, which are addressed in part by specific support from Government.

The current climate due to Covid-19 has put excessive pressure on this authority and with the restrictions on providing services it is forecast that an outturn variance in 2020/21 is estimated to be in the region of £24.1m at Q2 (before the receipt of funding for the Sales, Fees and Charges compensation scheme). The impact of the 2020-21 budget will furthermore impact future years budgets and it is estimated that this could be in the region of £40m at 18 December 2020 for 2021-22.

A number of mitigating actions have been implemented, of which one is the submission of a capitalisation directive which allows revenue costs to be capitalised, fund revenue from borrowing under special dispensation from HM Treasury. Under the capitalisation directive the Council can charge any unmet deficits for 2020/21 and 2021/22 in relation to Covid-19 to the capital programme. If the Government does support the Council's remedial action and self-intervention plans, then this will avoid the Council issuing a s114 Notice before the end of the 2020/21 financial year. With the plans that have been placed before MHCLG the Council is hoping that a s114 Notice is the last resort.

HM Treasury approving the capitalisation directive will clear deficit for 2020/21, the outcome of any decision is likely to be known towards the end of 2020. If approved the Council would need to borrow to support the capitalisation of these costs.

If the capitalisation directive is not approved, then the following options are available to the Council

- Use of the General Fund and
- Use of Earmarked Reserves and
- Cutting Council services by either 5%, 10% or 15% or
- Issue S114 notice.

On this basis the Council has concluded that the Council is a going concern.

Significant findings – going concern

Going concern commentary

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

It has been a challenging year due to the Covid-19 pandemic which has seen the administration of grants to businesses, closure of car parks with additional challenges of reopening services under new government guidelines and the need to free up capacity of teams in addition to normal responsibilities. The Council is facing new and increased challenges to its financial sustainability. Given the sensitive nature of these disclosures, we have identified this as an area of focus in our audit.

We have detailed out assessment relating to going concern on the following pages.

We have:

- Considered the Council's overall financial position
- Considered the requirements of ISA570 and the Cipfa Code
- Considered the requirements of Practice Note 10.

Our review of Council's overall financial position

The Council faces an increasingly difficult financial position.

In 2019/20 the Council was only able to achieve a balanced position by drawing c£25.271m from reserves. While we note that £7m was added to other reserves, this is not a sustainable position and the Council now has limited reserves to call upon to balance its budget. We note that the Council consider that the majority of reserves were used for non recurrent expenditure.

For 2020/21 the Council is forecasting a budget deficit of £14.774m. Without the Government's agreement to a capitalisation directive the Council is likely to incur a significant deficit in 2020/21 and will need to use the majority of its remaining available reserves to balance its revenue budget. For 2021/22, if the capitalisation directive is not approved, the Council may need to issue a s114 notice under the Local Government Finance Act 1988 and restrict all new expenditure. Looking forward, the Medium Term Financial Strategy 2021 sets out a £40m to £61.7m budget gap over the next five years. Officers have subsequently produced a plan (in December 2020) that will bring the Council back into financial balance by 2021/22.

It is important that the Council continues to take every action possible in the coming months to reduce its expenditure, and the likelihood of a deficit, in 2020/21. We note that it is also putting in place plans to reduce its expenditure in 2021/22. These plans assume the Government's agreement to the capitalisation of revenue expenditure and would be insufficient if approval was not given. As such, the Council also needs to consider what action it would take to reduce services should the capitalisation directive not be approved. The most likely course, should the capitalisation directive not be secured, is the issue of a s114 notice under the Local Government Finance Act 1988 and a ban on all new expenditure.

We note that the capitalisation directive will only provide support to the Council for 2020/21 and 2021/22. As such, the Council needs to ensure that it delivers against its revised MTFS. It will need to put it place clear plans to reduce its future recurring service expenditure and move to a balanced revenue position that does not rely on reserves.

We have reviewed the Council's cashflow and borrowing and consider that this indicates that it has sufficient liquidity to continue to operate.

Significant findings – going concern

Going concern commentary

Work performed

Going Concern Consideration – ISA570/Cipfa Code

The Cipfa Code interprets ISA 570 for local government bodies. We have set out the relevant guidance below.

2.1.2.9 Going concern – an authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future (see also paragraph 3.4.2.23 for bodies that follow the Code but may be discontinued without statutory prescription). Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

3.4.2.23 Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting. Other bodies that prepare financial statements in accordance with the Code that may be discontinued without statutory prescription shall follow the going concern reporting requirements in IAS 1.

In summary, the Code requires local authorities, that can only be discontinued under statutory prescription, to prepare their financial statements on a going concern basis.

The International financial reporting framework on which the Code is based still requires disclosure of material uncertainties related to events or conditions that may cast significant doubt upon entities ability to continue as a going concern. We have reviewed the Council's disclosure and it has been enhanced to include the current issues. We are satisfied that the disclosures are appropriate.

Although expected to be unusual in a local government context, paragraph 25 of IAS 1 requires that when management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern these shall be disclosed within the financial statements.

Auditor commentary

We are satisfied that there are no factors that indicate that the Council is likely to be discontinued. As such it is appropriate for its accounts to be prepared on a going concern basis.

We have considered whether it would be appropriate for management to a material uncertainty disclosure. We have concluded that it is not. We have concluded that this is not required as:

- Even if the capitalisation directive is not agreed by MHCLG the Council has sufficient liquidity (through borrowing) to continue to operate.
- We note that the Council budget could also be brought back into balance quickly through the use of reserves and a S114 notice that would prevent further spending. As such it is not appropriate to include a material uncertainty disclosure.

We have considered whether an emphasis of matter in the audit opinion is appropriate. We have concluded that it is not. The Council remains a going concern and there is no material uncertainty as to it continuing to do so. As such we do not consider that an emphasis of matter is appropriate.

Significant findings – going concern

Going concern commentary

Work performed

Going Concern Consideration – Practice Note 10

PN10 states that

"In the public sector, entities may have a deficit of income over expenditure or an excess of liabilities over assets. However, the operational existence of a public sector entity will not always cease, or its scale of operations be subject to a forced reduction, as a result of an inability to finance its operations or of net liabilities. …..

Local government entities are statutory bodies that are required to maintain delivery of functions essential to the local communities, are themselves revenue-raising bodies and have the possibility, on application, of recovering losses over a period;

Cessation is most likely to result from a legislative change or a decision made by Parliament/ Assembly.

In each of these cases the operational existence of all or part of the entity ceases, but only in the case of dissolution without any continuation of operations would the going concern basis cease clearly to be appropriate. In the other cases the auditor considers the basis on which the activities are transferred, from the viewpoint of the entity that is relinquishing the assets and liabilities at the accounting date.

In line with Practice Note 10, the auditor's assessment of going concern is based on the statutory nature of the entity and the fact that the relevant financial reporting frameworks presume going concern in the event of anticipated continuation of provision of the services provided by the entity. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary.

Paragraph 161 of PN 10 states:

"Auditing frameworks may require public sector auditors to review and report upon the entity's arrangements for securing value for money and in such cases it may be appropriate for auditors to consider how the entity ensures that it is able to maintain the sustainability of its services and finances. But, where auditors identify concerns about an entity's general financial health, or its arrangements for maintaining the sustainability of its services and finances, this does not necessarily cast doubt upon the entity's ability to continue to prepare its financial statements on a going concern basis".

Auditor commentary

We are satisfied in taking regard to the requirements of PN10, that there are no specific factors that have occurred due to Covid 19 that would impact this Councils ability to remain a going concern.

We have assessed the financial resilience of the Council in the VFM section of this report. While we are concerned about its position we do not consider that this impacts its ability to continue to operate.

We have therefore concluded that the Council continues to be a going concern.

Other matters for communication

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	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Risk Management Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Council, which is appended. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for property valuations material uncertainty
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking, investment and borrowing institutions. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Disclosures	Our review found no material omissions in the financial statements, however a small number of disclosure adjustments have been made to the financial statements. See page X
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided. We have experienced significant difficulties in obtaining adequate evidence to support our testing. This is predominately as a result of remote working due to the Covid-19 pandemic and Council staff not having access to physical documentation due to certain Council buildings remaining closed during the pandemic period. In addition there have been difficulties with the Finance team providing the audit team with complete and cleansed financial populations from which our sample testing is selected. This has resulted in requests for further information and sample testing to ensure adequate assurance has been obtained. We are concerned that many of our samples contained both debit and credit balances, and internal recharges. This has resulted in additional work for both ourselves and the Council, and some of our testing has been abortive and has needed to be reperformed. The Council had invested during 2019/20 in the CIPFA toolkit in order to produce a Code compliant set of financial statements with supporting working papers. Whilst we were able to initially retrieve working papers from the toolkit, we did not find the use of this tool led to a more efficient audit. However we acknowledge that this was the first year of implementation and therefore would expect the Council to have a greater understanding of the capabilities of the tool in the coming year.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £500m we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. Note that work is not yet completed and the planned timescale for the work is to complete and submit the Assurance Statement by 8 January 2021.
Certification of the closure of the audit	We are unable to certify the closure of the 2019/20 audit of Wirral Council in the audit report, as detailed in Appendix E.

Internal controls

The purpose of an audit is for the auditor 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 purposes of expressing an opinion on the effectiveness of internal control. The matters we identified during the course of our audit are set out in the table below. These are other recommendations, together with management responses are included in the action plan at Appendix A.

Assessment	Issue and risk	Recommendations
High	**Segregation of duties conflicts between Oracle system administration and finance roles.** The audit observed a service account which possessed conflicting IT and Finance responsibilities. This allows a wide range of access to change and configure the system, users and data therein. Uses granted administrative access should not be able to modify financial information or operate financial controls. This increases the risk of inappropriate changes to data and, of controls being circumvented.	We recommend management consider reviewing the elevated access assignment and, where possible, restricting Oracle administrator access to members of the IT department with all conflicting finance responsibilities being removed from System administrator accounts.
High	**Oracle system configuration, access granted to an excessive number of users, including non-IT staff / end users** During the audit we observed 443 users who have access to change system configurations. We would expect these activities to be assigned only to system administrators, of which there are 13 accounts. Where access to change system configuration is not appropriately limited, the risk is increased of unauthorised access or modification to confidential or sensitive data resulting in an increased risk of fraud..	Management should consider reviewing all users with system configuration capabilities assigned and where possible removing this from end users / limited access to members of IT department..

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Value for Money

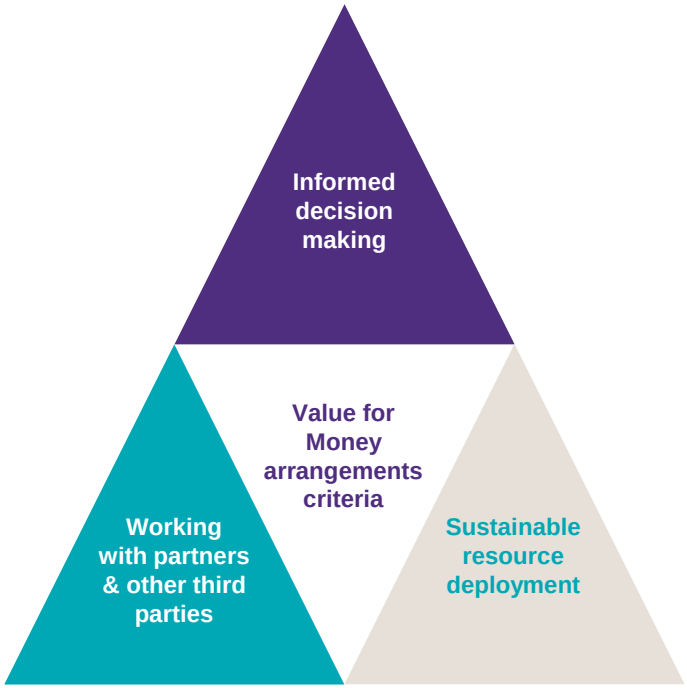
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in March 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We have not identified any new VfM risks in relation to Covid-19, and do not consider Covid-19 to be a significant risk given the date of the pandemic.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main consideration was the Council's arrangements for updating, agreeing and monitoring its financial plans, including the arrangements in place to monitor the identification, delivery and reporting of savings.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 21-22.

Overall conclusion

Because of the significance of the matters we identified in respect of financial planning and sustainability, we are not satisfied that the Council has made proper arrangements to secure economy, efficiency and effectiveness in your use of resources. We therefore propose to give a qualified 'adverse' conclusion.

The text of our proposed report can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

In the course of our work we discussed the following issues with management:

- The Council's overall financial position
- The Council's application for a capitalisation notice
- The Council's preparations should a s114 notice be required under the Local Government Finance Act 1988 (s 114 notice).

Due to our significant concerns over the Council's financial position we issued a letter to management highlighting our concerns on 3 November 2020.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Financial planning and sustainability - summary

The Council faces an increasingly difficult financial position.

In 2019/20 the Council was only able to achieve a balanced position by drawing c£25.271m from reserves. While we note that £7m was added to other reserves, this is not a sustainable position and the Council now has limited reserves to call upon to balance its budget. We note that the Council consider that the majority of reserves were used for non recurrent expenditure.

For 2020/21 the Council is forecasting a budget deficit of £14.774m. Without the Government's agreement to a capitalisation directive the Council is likely to incur a significant deficit in 2020/21 and will need to use the majority of its remaining available reserves to balance its revenue budget. For 2021/22, if the capitalisation directive is not approved, the Council may need to issue a s114 notice under the Local Government Finance Act 1988 and restrict all new expenditure. Looking forward, the Medium Term Financial Strategy 2021 sets out a £40m to £61.7m budget gap over the next five years. Officers have subsequently produced a plan (in December 2020) that will bring the Council back into financial balance by 2021/22.

It is important that the Council continues to take every action possible in the coming months to reduce its expenditure, and the likelihood of a deficit, in 2020/21. We note that it is also putting in place plans to reduce its expenditure in 2021/22. These plans assume the Government's agreement to the capitalisation of revenue expenditure and would be insufficient if approval was not given. As such, the Council also needs to consider what action it would take to reduce services should the capitalisation directive not be approved. The most likely course, should the capitalisation directive not be secured, is the issue of a s114 notice under the Local Government Finance Act 1988 and a ban on all new expenditure.

We note that the capitalisation directive will only provide support to the Council for 2020/21 and 2021/22. As such, the Council needs to ensure that it delivers against its revised MTFS. It will need to put it place clear plans to reduce its future recurring service expenditure and move to a balanced revenue position that does not rely on reserves.

Key Findings

2018/19

By the end of the 2017/18 financial year the Council's General Fund Balances were £24.856m. In 2018/19, £14.2m of these reserves were used to support children's social care services following an inadequate assessment from the CQC. In our 2018/19 Audit Findings Report (AFR) we reported that: 'The general fund balance at March 2019 is £10.7m which is a decrease of £14.2m from the closing balance at March 2018. The Council has set a minimum general fund balance of £10m going forward which it considers to be a reasonable level in case of unforeseen financial difficulties. Overall available revenue reserves have fallen from £106m in March 2015 to £87m at March 2019.'

2019/20

Revenue

In 2019/20, the Council set a budget of £273m. The budget assumed the use of £4.5m from earmarked reserves and £7m from the use of flexible capital receipts. It subsequently increased the budget to £277m but was only able to achieve this planned out-turn by utilising a further £20.5m from reserves. This included £4.6m of DSG and Schools Balances use, £2.2m for one -off expenditure, £1.0m of Public Health reserves and £11.5m of reserves for which permanent funding was provided in the 2020/21 budget and which the council considers no longer represents a pressure. While the final outturn for the Council was a net budget spend of £277m, this was after the use of £26m of existing reserves offset by the establishment of £7.3m of new reserves. In-year an additional £1.312m of capital receipts were used to fund transformational expenditure. The use of reserves of £25.271m was used by directorates to support the budget. The budget was revised during the year with a further increase of £3.500m which was to fund additional pressures in the Adults directorate, which was supported by reductions in other directorates' budgets, except for Economic and Housing Growth. This was funded from an additional £2.000m of funding and £1.500m from reserves.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Key Findings

2019-20

Revenue

We have tracked the Council's spending below.

- Qtr 1 – the Council appears to have gone immediately off budget with a forecast overspend of £4.3m. Forecast expenditure was £289.5m
- Qtr 2 – the budget position continued to worsen into quarter 2 with expenditure increasing by another £3m. Forecast expenditure was £292.35m
- Qtr 3 – the budget position stabilised in quarter 3 with some improvement in the financial position. Forecast expenditure reduced to £291.4m
- Outturn – the budget position worsened considerably increasing to £309.27m (before use of reserves £25.271m). This is a considerable worsening of the Council's financial position.

We note that the quarterly reports build on one another and that the position is reported against the revised rather than the original budget. Members may wish to consider whether this gives them a clear view of the actual overspends in each department. We also note that the actual overspend is c£14m and that the overspend was incurred by month 3. This is significant and the Council should consider whether the budget was set appropriately, or whether budget management procedures need strengthening.

We have considered the reasons for the overspend. These include:

- Adults' - Integrated Commissioning Programme – the budget deficit was £4.542m. This relates to increasing demand and acuity in care packages.
- Children's - the Children's budget overspent by £3.065m. This was caused primarily by increased demand for Looked After Children (LAC) placements.
- Schools Dedicated Schools Grant (DSG) - Schools are funded by a ringfenced grant. There was a £3.821m adverse variance against budget. We note that this does not impact on the general fund or Council budgets.
- Business management – there are a series of adverse variances including £0.260m in advertising income, a £1.2m adverse variance in the Housing Benefit Admin Grant, £0.783m costs of pension strain contributions, £0.334m shortfall in income as a result of customers largely choosing not to buy-back Wirral Council back office services.
- Economy and housing - Income of £3.65m was originally anticipated in 2019/20 from development within the Wirral Growth company. However, the partnership refocused to ensure any development is designed in consultation with residents, members and partners to ensure the maximum financial benefits can be realised for the Council. This may result in additional income being received in future years. This will be funded by a transfer from the Economic Growth reserve which was established to cover such delays in regeneration developments.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Key Findings

2019-20 continued

Revenue

- Delivery Services: Forecast - £3.268m Adverse Variance including shortfall (£0.490m) in Sport & Recreation, car parking income (£0.300m adverse), reduction in enforced fines for environmental breaches (£0.500m adverse). We note on sport and recreation that the expectation of the 2019/20 budget was for the approved budget savings relating to the transfer of operations at the Floral Pavilion and two golf courses to other providers. We note that delays in the transfer of the Floral Pavilion and Members' recommendation to not proceed with the transfer of the Golf Courses meant that the saving target was not realised in 2019/20. We consider that these decisions should have been made prior to setting the budget.

We do not consider that the Council effectively set or controlled its budget during 2019/20.

Reserves

The Council had £97m of reserves available to it at 31 March 2020. General Fund Reserves were £10.67m, overall Earmarked Reserves were £66.768m, and capital reserves were c£20m. From our 2018/19 AFR and review of the 2019/290 outturn it is clear that the Council has used reserves to balance its budget. We do not consider that it is prudent for the Council to use non-recurrent money from reserves to fund recurrent expenditure. We note that while the remaining reserves appear to be significant, the vast majority are earmarked against known funding needs and are, therefore, not available to the Council to fund revenue expenditure. We note that the Council consider that the majority of reserves were used for non recurrent expenditure.

Our review of reserves indicates that £20m relates to ringfenced grants for capital schemes, £7m are school balances, £25m relate to COVID-19 related grants, £8m relates to insurance funds and £4m to the business rate equalisation reserve. As such these reserves are not available to the Council to cover a shortfall in its revenues or non-delivery of savings plans.

After setting aside these reserves, the Council has c£31m of reserves available to it to meet service overspends. While this appears to be a significant sum, in our experience it is not sufficient. In particular, it would not be appropriate to reduce the General Fund Reserve below £10m. This would leave the Council exposed should a financial crises arise. As such the Council has c£20m to deal with any savings shortfall. All of these are already earmarked for other purposes.

Capital programme

The Council did not deliver its capital programme, underspending by c£50m against a £90m programme. The largest variations are: Aids, adaptations and DFGs (£3.33m decrease), LED street lighting/column replacement (£5.48m decrease), Investment in properties: (£8.60m decrease), Wirral Waters Investment Fund: (£5.62m decrease), Community Bank (£4.25m decrease).

We consider that the Council should review its capital programmes and determine what is necessary given its financial position. This may include capital support for services transformation programmes that deliver revenue savings. Once an appropriate contract is in place then controls should be developed to ensure that the programme it delivered.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Key Findings

2019-20 continued

Summary

The Council continued to draw heavily from reserves to set a balanced budget in 2019/20 weakening its overall financial sustainability. We do not consider that this is sustainable and action is needed to set a budget that is not reliant on reserves. We note that the Council consider that the majority of reserves were used for non recurrent expenditure.

We note that the Council had adverse movements against the budget from quarter one. This reflects a number of pressures but also decisions by the Council not to deliver specific schemes. The Council should review its budget setting procedures to ensure that all aspects of it are deliverable and have the agreement of members. Particular note should be taken of income generation schemes, such as the Wirral Growth Company and whether the income is deliverable.

The Council should also consider how it can better forecast and manage the increasing pressures in both Children's and Adults' Social Care services. We note that the Council is taken the following action in these areas:

- C.Co Commissioned to carry out an exercise to determine the cost of care in Adults' Social Care and health
- Partners for Change: In discussion with regards to their "Three Conversations Programme" aligned with Social Work teams. The aim is to reduce demand into the care sector
- Prevention: The Council is focussing on prevention across all services.

The Capital programme does not appear to have been realistic and as a result only 44 per cent has been delivered. We consider that the Council should review its capital programmes and determine what is necessary given its financial position. This may include capital support for services transformation programmes that deliver revenue savings. Once an appropriate contract is in place then controls should be developed to ensure that the programme it delivered.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Key Findings

2020/21

Budget

The Council set a budget of £304m for 2020/21. This included financial pressures of £37.5m, offset by savings of £29.9m. The Council anticipated using £6.4m of reserves to balance its financial position. Of this £2.4m was expected to come from earmarked reserves and £4m from capital receipts for transformational spend included in revenue budgets.

Achieving this balanced position for 2020/21 was dependent on demand for services remaining in line with the Council's latest assumptions – in key areas such as Adults' and Children's Social Care - along with an ability to achieve planned asset disposals at their forecast values. Given the Council's history with these services this presented a significant risk to the Council.

Monitoring reports

The July Cabinet report on the Council's financial position reflects a deficit financial position following the impact of COVID-19. In the report the Council sets out a forecast budget deficit of c.£30.4m for the 2020/21 financial year. The report to Cabinet states:

''The year-end forecast recorded as part of June's financial monitoring activity represents an adverse variance to revenue budget of £30.432m; this comprises:

- £23.987m forecast variance in relation to revenue budget overspends (including a forecast increase to in-year, earmarked reserves of £0.546m), the adverse position has arisen largely due to matters arising through the COVID-19 pandemic.
- £2.150m forecast capital receipts, which support the revenue budget position via flexible use of capital receipts and;
- £4.296m gap in direct COVID-19 funding against forecast requirements.'

The shortfall is driven by a number of matters and relate to Neighbourhoods, Cross Cutting initiatives and COVID-19 funding. The shortfalls are as follows: Neighbourhoods (£12.7m) – this is primarily due to leisure lost income, Cross cutting initiatives (£11.7m) – the Council has been unable to deliver these initiatives, and COVID-19 Funding – a shortfall in Government funding against the Council's COVID-19 related expenditure (c.£4.2m). While we understand that some income is expected from the Government for reduced Neighbourhoods income, the remaining shortfall is significant and, if not addressed, would consume the majority of the reserves available to the Council.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Key Findings

2020/21

Monitoring reports

On 7 October 2020 the Council issued a COVID-19 update report to the Policy and Resources Committee. The Council set out that it had received £99.7m Government funding to support the emergency response to COVID-19. This comprised funding directly for use by the Council in funding the Council's emergency response of £32.5m and funding to be passported to other organisations on behalf of the Government of £67.2m. The Council reported that further funding has been provided by Government which had allowed it to reduce the 2020/21 year-end deficit to £22m.

The Council reported 'The Council must take necessary remedial and urgent action to deal with the significant deterioration in the financial position and return to a balanced budget position. Failure to consider and adopt reduction measures to the 2020/21 budget or find further funding from Government or elsewhere within year, will result in the issuing of a s.114 notice before year end.'

To mitigate the forecast deficit, the Council has applied for a capitalisation directive. This means that the Council can charge 2020/21 and potentially 2021/22 deficits to the capital programme. The Council would need to borrow funds to pay for the capitalisation and this would be repaid over time. We understand that MHCLG have informed the Council that the process to agree a capitalisation directive will take some months from the date of application, and there is no guarantee that HM Treasury will agree to the request.

The total gap over the next two years is £67m. If the capitalisation directive is not approved then the £22m 2020/21 deficit will need to be met from Council resources. The Council has outlined two options to this scenario:

- Utilise all available savings and some of the Council's general fund balances. This is high risk strategy as the general fund balances currently stand at £10.6m
- Issue an emergency budget.

The financial position was further updated in the quarter 2 monitoring report. An adverse variance to revenue budget of £24.074m was reported. However, additional COVID – 19 funding from the Government of £9.3m is expected, which will reduce the budget deficit to £14.774m.

Value for Money

Significant risk

Key Findings

2020/21

Medium Term Financial Strategy (MTFS)

The Medium Term Financial Strategy 2021 – 2026 (as reported at Policy and Resources Committee on 18th December) set out a £40m to £61.7m budget gap (before capitalisation directive) over the next five years. This is not a sustainable financial position and, as outlined earlier, the Council has also applied for a capitalisation directive for 2021/22.

Officers have subsequently produced a plan that will bring the Council back into financial balanced position by 2021/22; £16.5m is subject to public consultation and Council approval. The MTFS assumes that it is allowed to capitalise a total of £47.4m (£23.9m of revenue expenditure in 2020/21 and £23.5m 2021/22) and that it will deliver the savings included in the MTFS over the next five years. The strategy includes a number of ambitious savings plan and income generation schemes. The Council will need to ensure that it delivers these plans if it is to return to a stable financial position.

Members should note that without the capitalisation directive that it is likely that the Section 151 officer will have to issue a Section 114 notice under the Local Government Finance Act 1988 with regard to the Council's 2021/22 budget. A s114 notice requires the Chief Finance Officer, in consultation with the Council's Monitoring Officer, to report to all the Council's members if there is, or is likely to be, an unbalanced budget set. The notice bans all new expenditure, with the exception of safeguarding vulnerable people and statutory services.

Summary

The Council's financial position is of significant concern. Without the Government's agreement to a capitalisation directive the Council is likely to incur a significant deficit in 2020/21 and will need to use the majority of its remaining reserves to balance its revenue budget. For 2021/22 the Council may need to issue a s114 notice and restrict all new expenditure.

It is important that the Council takes every action possible in the coming months to reduce its expenditure and the likelihood of a deficit. It also needs to consider its future service expenditure so that it can resolve the significant underlying deficit in its expenditure.

We note that officers and members have been working on these plans for since November and proposals will be presented to the Policy and Resources Committee in December 2020. It is important that a clear set of actions is agreed at this Committee, so that the Council can ensure its financial sustainability.

MEDIUM TERM FINANCIAL PLAN BUDGET GAP OVERVIEW	21-22 £m	22-23 £m	23-24 £m	24-25 £m	25-26 £m
20-21 Budget Requirement / Baseline	**320.7**	**338.3**	**321.3**	**322.3**	**327.4**
Pressures:					
Regeneration & Place	1.5	0.3	0.4	0.4	0.4
Resources	1.0	-	-	-	-
Legal & Governance	0.2	-	-	-	-
Neighbourhoods	1.7	0.5	2.3	0.5	0.5
Childrens	3.0	3.2	2.2	2.2	1.8
Adult Care & Health	12.1	0.3	6.2	6.2	6.2
Corporate	7.6	4.6	5.8	5.5	3.2
Temporary savings from 2020/21 to be reversed in 2021/22	2.7	-	-	-	-
Total Pressures/Investments	**29.8**	**8.9**	**16.9**	**14.8**	**12.1**
Savings:					
Regeneration & Place	(1.6)	(2.8)	(1.9)	(0.6)	(3.4)
Resources	(0.5)	(1.9)	0.5	(0.4)	(1.1)
Legal & Governance	(0.0)	0.1	-	-	-
Neighbourhoods	(1.5)	(1.4)	(0.9)	(0.4)	(0.3)
Childrens	(3.4)	(4.8)	(2.4)	(1.5)	-
Adult Care & Health	(4.0)	(4.0)	(5.0)	(4.0)	(4.0)
Corporate	(1.3)	(10.9)	(6.3)	(2.8)	(4.1)
Total Savings	**(12.3)**	**(25.9)**	**(15.9)**	**(9.7)**	**(12.8)**
Total Budget Requirement	**338.3**	**321.3**	**322.3**	**327.4**	**326.7**
Funded By :					
National Non Domestic Rates:					
Business Rates Income	(72.3)	(73.4)	(74.6)	(75.9)	(77.1)
Business Rates Section 31 Grant	(12.8)	(13.0)	(13.2)	(13.4)	(13.7)
Top-Up Grant	(34.5)	(35.1)	(35.7)	(36.2)	(36.8)
Better Care Fund (BCF)	(18.8)	(19.1)	(19.4)	(19.7)	(20.0)
Business Rates	**(138.4)**	**(140.6)**	**(142.9)**	**(145.2)**	**(147.6)**
Council Tax:					
Council Tax base position	(148.9)	(152.2)	(156.7)	(161.3)	(166.1)
Annual increase in number of properties	(0.4)	(1.5)	(1.5)	(1.5)	(1.6)
Inflation	(3.0)	(3.0)	(3.1)	(3.2)	(3.3)
	(152.2)	**(156.7)**	**(161.3)**	**(166.0)**	**(170.9)**
Council Tax surplus - 19/20 - one-off impact in 20/21	-	-	-	-	-
Council Tax	**(152.2)**	**(156.7)**	**(161.3)**	**(166.0)**	**(170.9)**
Collection Fund shortfall	4.0	3.5	3.1	-	-
New Homes Bonus	(0.1)	(0.1)	-	-	-
Social Care Support Grant	(11.3)	(11.3)	(11.3)	(11.3)	(11.3)
Capital Receipts	(0.4)	(6.2)		-	-
Total other funding	**(7.7)**	**(14.0)**	**(8.1)**	**(11.3)**	**(11.3)**
Total Funding	**(298.3)**	**(311.4)**	**(312.4)**	**(322.5)**	**(329.8)**
Total Budget Gap	**40.0**	**9.9**	**10.0**	**4.9**	**(3.1)**

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Key Findings

Capital strategy

We note that the Council set an ambitious capital strategy for 2020/21. The Council stated that it would continue to provide a proportion of Capital Programme resources in support of the acquisition of properties (Strategic Acquisition Programme), viability gap funding for development costs (Wirral Waters Investment Fund) and business growth grants and loans (Business Investment Fund) to support income generation. The total schemes for the year are c£103m. We are unclear that this investment is affordable due the Council's current financial position.

Due to the budgetary pressures that the Council faces, which have been exacerbated by the COVID-19 outbreak, a review of the programme is currently underway to try and identify schemes that may no longer be financially viable, essential or deliverable. The initial stages of this review have resulted in scheme reductions totalling £0.55m and the rephasing of budget into future years of £43.6m. We understand that further reductions and/or deferrals of budget will be made as the review continues. We consider that this action is appropriate. In particular, the Council should consider whether it is appropriate to continue with its proposed investment schemes.

We note that the Council is still planning to borrow an additional £15m to finance its capital programme. Given the current financial position we recommend that the Council should reconsider its planned borrowing, prioritising those schemes that will deliver revenue improvements..

Borrowing

We have considered the Council's level of borrowing. In normal circumstances we would not be concerned. But we note that net indebtedness of the Council is planned to rise and will draw further on the Council's revenue position. In determining whether to borrow further we recommend that the additional costs of borrowing are more than offet by the resulting revenue savings from the capital scheme.

	31/3/2019 Actual	31/3/2020 Forecast	31/3/2021 Estimate	31/3/2022 Estimate	31/3/2023 Estimate
	£000	£000	£000	£000	£000
Debt	312,165	321,896	345,325	339,069	340,541
Capital Financing Requirement	345,788	360,776	401,729	398,429	381,778

We also consider that the Council's level of temporary borrowing c£36.4m as at 30 November 2020 is too high in its current circumstances. We note that this has been reduced from £146.8m (which was secured to meet the short term liquidity needed due to Covid-19). We consider that the Council should focus on long term strategic borrowing rather than relying on short term borrowing.

Summary

The Council should reconsider its capital programmes, borrowing and treasury management strategy in the light of its current financial position. The Council should consider whether targeted capital expenditure can support service transformation and the delivery of revenue savings.

Independence and ethics

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to November 2020 as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	4,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,500 in comparison to the total fee for the audit of £146,445 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit is substantially complete, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	17,800	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £17,800 in comparison to the total fee for the audit of £146,445 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to [current date], as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Non-audit related			
CFO Insights Subscription	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £146,445 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. These fees have not been reflected in the accounts because of the timing of CFO Insights The CFO insights service provides the Council with access to various data sources, which they decide how to use and make their own decisions about the delivery of services, therefore we do not believe there is an impact on the value for money conclusion.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Risk Management Committee. None of the services provided are subject to contingent fees.

Action plan

We have identified four recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	**Journal control procedures** Our review of the journals posted during the year identified that a large number of journals are both posted and authorised by the same person which is considered a risk of management override of controls	A review of journal processes and controls should be carried out to ensure there are appropriate authorisation controls in place to reduce the risk of management override of controls. **Management response** A review of the process has been undertaken and management have already started to identify a revised procedure to reduce risk and increase controls. This will be a two phased approach; a manual approach commencing January 2021 whilst a system re configuration is under evaluation and implemented
High	**Segregation of duties conflicts between Oracle system administration and finance roles.** The audit observed a service account which has also been found to possess conflicting IT and Finance responsibilities. This allows a wide range of access to change and configure the system, users and data therein.	We recommend management consider reviewing the elevated access assignment and, where possible, restricting Oracle administrator access to members of the IT department with all conflicting finance responsibilities being removed from System administrator accounts. **Management response** This related to one user account which was created by Fujitsu services when the eBusiness Suite was implemented. The account was used to carry out certain customisation work within the system. The Council is the process of migrating our CRM processes to a replacement system so do not envisage needing to use this account anymore. The account has been closed in a test environment and are monitoring the system for any issues. Our intention is to end date this account in the live environment.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Action plan

We have identified four recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	**Oracle system configuration, access granted to an excessive number of users, including non-IT staff / end users** During the audit we observed 443 users who have access to change system configurations. We would expect these activities to be assigned only to system administrators, of which there are 13 accounts.	Management should consider reviewing all users with system configuration capabilities assigned and where possible removing this from end users / limited access to members of IT department.. **Management response** We are obviously concerned regarding the large number of accounts which have been identified as having this issue and also the marked increase since last year's report. We have only made a small amount of account and responsibility changes throughout the year which would not account for the large increase in accounts being identified. It appears that a large number of users have been identified this year as a result of having access to the menu MBOW_CUST_CONTACT1 which has the menu option Others (CSX OTHERS). We have checked the system and our original build documentation, and this menu option has been available since 2005. We will begin an exercise of removing the identified functionality from accounts which should not have access. Members of IT and Senior System users may need access to some of these functions to be able undertake their job roles. The HR user HASLAMN no longer requires access to this functionality so will be end dated. A review of all users responsibilities is planned to align them to users needs.
Medium	**Completeness of the Fixed Asset Register** Our existence testing of the Council's fixed assets resulted in a number of assets no longer existing. The impact of this is an overstatement of the Council's assets and corresponding reserves.	Management should carry out a review of the Council's Fixed Asset Register to ensure that it is up to date and accurately includes the Council's fixed assets. **Management response** Management have put in place for 20/21 a process to review and identify assets no longer in existence.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Wirral Council's 2018/19 financial statements, which resulted in 2 recommendations being reported in our 2018/19 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	The Council's draft financial statements published on its website at the end of May 2019 did not disclose the name of the Chief Executive in Note 33 Officers' Remuneration. The Accounts and Audit Regulations require that all senior officers who receive remuneration in excess of £150k should be named in the disclosure note. The disclosure was amended for the final approved financial statements.	Quality control over the Statement of Accounts formed part of the Council's wider review of Closedown processes.
✓	As already identified, there is scope to improve the Council's accounts closedown process. The Council should complete its review of the closedown arrangements and ensure that it has sufficient and appropriately qualified resources in place to deliver the draft financial statements that require minimal amendment and review.	The Council has made significant investments into the production of the Closedown process including procuring the CIPFA toolkit which facilitates the production of the Council's financial statements from its trial balance.

Assessment

✓ Action completed

X Not yet addressed

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

No misstatements have been adjusted by management which impact on the key statements and reported net expenditure for the year ending 31 March 2020.

Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Comprehensive Income and Expenditure Statement	The statement should not include internal recharges in line with the Code requirements	The income and expenditure within the CIES should be adjusted to remove the internal recharges **Management response** Agreed to amend	✓
Note 4 – Assumptions made about future and other major sources of material uncertainty	The note should reference to the impact of material uncertainty declared on the valuation of the Council's estimated share of the pension fund property assets as per the Pension Fund's Net Asset Statement	Disclosure should be added to assess the impact of the material uncertainty declared on the valuation of the Council's estimated share of the pension fund's property assets. **Management response** Agreed to amend	✓
Note 6 – Events after the balance sheet date and Narrative Report	Further disclosure should be added to make reference to the impact which Covid-19 has had on the Council since the balance sheet date and to reflect the current position of the Council's budget.	None-adjusting balance sheet event should be added to outline the effects Covid-19 has had on the finances of the Council. **Management response** Agree to amend	✓

Audit adjustments

Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 10 – Other Operating Expenditure Note 11 – Financing and Investment Income and Expenditure	Disclosures have been amended to correctly report the disposal and transfer of schools to Academy status during the year.	Disclosure adjustment to correctly report the transactions. **Management response** Agreed to amend	✓
Note 18 Financial Instruments	The Public Sector Social Impact Fund and CCLA investments should be reclassified to Fair Value Through Profit and Loss	The pooled investment funds should be classified as Fair Value through Profit and Loss as they do not meet the definition of equity instruments. **Management response** Agreed to amend	✓
Note 38 – Grant Income	The Housing Benefit Subsidy claim income was understated. The note did not include the accrued income of £12.9m The values of two grants required correcting - Improved Better Care Fund from £2.602m to £2.546m and Wirral Ways to Work from £1.736m to £1.423m.	Disclosure adjustment to correctly report the grant income **Management response** Agreed to amend	✓

Audit adjustments

Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 40 Capital Expenditure and Financing Note 26 Useable Reserves	The draft accounts incorrectly analysed £1.2m between grants and REFCUS.	Disclosure adjustment to correctly report the transactions. **Management response** Agreed to amend	✓
Note 35 Officers' Remuneration	The table incorrectly disclosed £,000 in the heading instead of £.	The note should correctly disclose the values. **Management response** Agreed to amend	✓
Note 32 External Audit Fees	The disclosures did not correctly state the non-audit services provided to the Council by the auditor and the prior year fees have been restated to reflect the correct fee for this service.	The note should correctly disclose the fees for audit and non- audit services for the year and comparative year. **Management response** Agreed to amend	• ✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit and Risk Management Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Note 14 Property Plant and Equipment Assets have been identified as no longer in existence. A correct will be made in the 2020/21 accounts.	£0	(£895)	£0	• immaterial
Overall impact	**£0**	**(£895)**	**£0**	

Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£146,445	175,734
Total audit fees (excluding VAT)	**£146,445**	**£175,734**

The audit fees note within the financials statements will not include the £29,289 additional fees as it was not agreed with the Council until December 2020. This figure is included within the £175,734 above.

The impact of COVID 19 on the audit of your financial statements includes:

- Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has driven additional areas of audit work (see below).
- Management's assumptions and estimates - there is increased uncertainty over many estimates including property, pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. There are similar challenges for management and ourselves on areas such as credit loss allowances, financial guarantees, and other provisions.
- Financial resilience assessment – we are required to consider the financial resilience of audited bodies. COVID 19 has impacted on the financial resilience of all local government bodies. Due to the Council's financial position we have undertaken significantly more work than planned with regard to the value for money conclusion and going concern. In your report we make reference to the long term financial resilience of the Council and have issued an adverse conclusion. We have not had to include an emphasis of matter or use our statutory powers
- Remote working – the most significant impact in terms of delivery is the move to remote working (both our teams and yours). The Council has worked effectively with us. Despite our efforts and the Council's we have needed to put additional resources into the audit. Where possible we have mitigated this with reduced travel and expense costs
- Other issues – we have encountered a number of issues specific to the Council including internal recharges, accounting for pooled investments, and coding of debits and credits. This has increased the audit time we have input into the Council.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services - Certifications of Housing Benefit Subsidy Claim and Teachers' Pensions Return *	22,300	22,300
Non- Audit Related Services – CFO Insights	£12,500	£12,500
Total non- audit fees (excluding VAT)	**£34,800**	**£34,800**

* The work on the certifications of Housing Benefit subsidy claim and Teachers' Pensions Return is currently still ongoing

Audit opinion

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

Provided separately

Management letter of representation

Grant Thornton UK LLP

Birmingham

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Wirral Metropolitan Borough Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Wirral Metropolitan Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

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

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

iii. 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 any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

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

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and we acknowledge the material uncertainty the valuer has noted in the Council's valuation report. This is on the basis of uncertainties in markets caused by Covis-19 and we are satisfied that there have no impairment of asset values as assessed by the valuer. 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.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits 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 post-employment benefits have been identified and properly accounted for.

xi. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

xii. 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.

xiii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

Management letter of representation

xiv 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.

xv. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are 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.

xvi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

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

xviii. The prior period adjustments disclosed in Note [X] to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xix. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern 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

xx. 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. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence .

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

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

xxiii. 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.

xxiv. 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.

xxv. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxvi. 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.

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

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

Management letter of representation

Annual Governance Statement

xxv. 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.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit & Risk Management Committee at its meeting on [ENTER DATE].

Yours faithfully

Name……

Position……..

Date……..

Name……

Position……..

Date……..

Signed on behalf of the Council

Grant Thornton

Independent auditor's report to the members of Wirral Council

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

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

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

Conclusions relating to going concern

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

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

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

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

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

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

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Risk Management Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Adverse Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, because of the significance of the matters described in the basis for adverse conclusion section of our report we are not satisfied that in all significant respects Wirral Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for Adverse Conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness in its use of resources, we identified the following matters:

The Authority faces an increasingly difficult financial position. It set an initial budget of £273 million for 2019/20, with planned use of £4.5 million of reserves and £7 million of capital receipts. It subsequently increased the budget to £277m but was only able to achieve this planned out-turn by utilising a further £20.5m from reserves. In total, £25.2m of reserves were utilised with £7m being added back into reserves. As at 31 March 2020 the Authority's general fund reserves were only £10 million, the minimum level deemed appropriate by the Authority. This is not a sustainable position and the Authority now has limited reserves to call upon to balance its budget going forward.

The Authority is forecasting a budget deficit of £14.774m in 2020/21. The Authority has applied for a capitalisation directive to provide support to the Council for 2020/21 and 2021/22 in order to balance its budget. Should the capitalisation directive not be secured, the Council may need to issue a s114 notice under the Local Government Finance Act 1988.

These matters are evidence of weakness in proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to

whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Mark Stocks, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

[Date]

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Grant Thornton

The Audit Findings for Merseyside Pension Fund

Year ended 31 March 2020

16 December 2020

Contents

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Merseyside Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2020. The Audit & Risk Management Committee of Wirral Council are who we have determined are those charged with governance but and the Pensions Committee is a sub-group whom we have determined we are required to communicate with.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on public services. For Merseyside Pension Fund however the impact on the normal operations of the Fund has not been overly significant. There have been no significant increases in staff sickness and the Fund were able to prepare the draft accounts by 31 July 2020, well in advance of the national deadline. It is noted however that all non-critical formal committee meetings at the Fund and the Administering Authority were cancelled due to Covid-19 with the fund's governance arrangements being monitored via delegated powers and informal committee briefings. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.	We issued our original Audit Plan in March 2020. We have updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an Audit Plan Addendum dated 12 May 2020. In that addendum we reported an additional financial statement level risk in respect of Covid - 19. Further detail is set out on page 5. Restrictions for non-essential travel has meant both Pension Fund and audit staff have had to adapt to new working arrangements such remote accessing financial systems, video calling and gaining assurance over the completeness and accuracy of information produced by the entity remotely.
Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Pension Fund's financial statements: • give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.	Our audit work was completed remotely during August - November. Our findings are summarised on pages 4 to 12. We have identified an adjustment to the financial statements which resulted in a £5.8m adjustment to the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix A. Our work is complete and there are no matters of which we are aware at this time that would require modification of our audit opinion (Appendix C) or material changes to the financial statements. To conclude the audit we require: • receipt of the signed management representation letter • Updating our review of subsequent events to the date of the audit opinion Our anticipated audit report opinion will be unqualified but we are proposing the inclusion of an Emphasis of Matter paragraph highlighting asset valuation material uncertainties. This would not affect our opinion that the statements give a true and fair view of the Fund's financial position and its income and expenditure for the year. Such a paragraph is added to indicate a matter which is disclosed appropriately in the Fund's financial statements but which we consider is fundamental to a readers' understanding of the financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 12 May 2020, to reflect our response to the Covid-19 pandemic, as follows;

- We added the impact of Covid-19 as a significant risk to our audit
- We reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the specific risk identified due to Covid-19.

Conclusion

We have completed our audit of your financial statements and anticipate issuing an unqualified audit opinion following the Wirral Council Audit & Risk Management Committee meeting on 21 December 2020, as detailed in (Appendix C).

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

	Pension Fund (£)	Qualitative factors considered
Materiality for the financial statements	£88.8m	We have determined materiality for the audit to be £88.8m (equivalent to 1% of net assets for the prior year). This is in line with the industry standard and reflects the risks associated with the Fund's financial performance.
Performance materiality	£66.6m	Performance materiality drives the extent of our testing and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: • We are not aware of a history of deficiencies in the control environment • There has not historically been a large number or significant misstatements arising; and • Senior management and key reporting personnel has remained stable from the prior year audit
Trivial matters	£4.441m	This equates to 5% of materiality. This is our reporting threshold to the Pension Fund Committee and Wirral's Audit & Risk Committee for any errors identified.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid–19	We worked with management to understand the implications which the response to the Covid-19 pandemic has had on the organisation's ability to prepare the financial statements and update financial forecasts, and assessed the implications for our materiality calculations which ultimately remained the same. We also liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose. In response to this risk we: • worked with management to understand the implications the response to the Covid-19 pandemic had on the pension fund's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 31 July 2020; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as the asset valuations; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • engaged the use of an auditor's experts to assist with our assessment of the disclosure of directly held property valuations. As detailed against the other affected significant risk areas, we extended and enhanced audit procedures in areas considered to be particularly at risk, such as Level 3 asset valuations and Directly Held Property as a sub sector of the same. We also enhanced our procedures around Information Produced by the Entity (IPE) to ensure that technology such as screen sharing and video calls were utilised to gain additional assurances over reports produced by the entity where lockdown restrictions meant we could not be physically present or in relation to prime documents where there may have been considered a risk of manipulation. As referred to in more detail under the valuation of directly held property significant risk, the Fund's direct property valuers have declared a *'material uncertainty'* in relation to their valuation as at 31 March 2020. The Fund have appropriately disclosed this material uncertainty in Note 5 of the accounts as well as providing a sensitivity analysis to allow users of the accounts to assess the potential impact that changes in the valuation of these assets can have on the net assets of the fund. We are therefore proposing the inclusion of an Emphasis of Matter paragraph highlighting the valuation material uncertainty disclosures associated with the Fund's direct property holdings as a result of Covid-19. Our opinion is not modified in this respect.
The revenue cycle includes fraudulent transactions (rebutted)	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council as the Administering Authority of Merseyside Pension Fund, mean that all forms of fraud are seen as unacceptable. Our assessment in this area has not changed during the course of audit work performed on the 2019/20 draft financial statements. Therefore we do not consider this to be a significant risk for Merseyside Pension Fund. Whilst not a significant risk, as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate our rebuttal was incorrect.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Management over-ride of controls	In response to this risk we have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. As a result of the pandemic and remote working arrangements, additional scrutiny was applied to IPE (as previously described) and we ensured that journals designed to affect financial performance at year end were included in our sample. We do not have any concerns to report in this area.
Valuation of Directly Held Property	In response to this risk we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • independently requested year-end confirmations from investment managers, evaluated the competence, capabilities and objectivity of the valuation expert • discussed with the valuer the basis on which the valuations were carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Fund's valuer's report and the assumptions that underpin the valuation. • tested, on a sample basis, revaluations made during the year to ensure they had been input correctly into the Fund's financial records. • in addition to the stated procedures per our audit plan, in response to wider market uncertainty relating to property valuations, we have engaged an auditor's expert (in this case, a firm of RICS qualified surveyors) to assess the instructions provided to the valuer in comparison to the requirements from CIPFA / IFRS / RICS and also to assess the valuation methodology and approach, resulting assumptions adopted and any other relevant points. As a result of the Covid-19 pandemic, the Fund's valuers have declared a 'material uncertainty' in relation to their valuation as at 31 March 2020. This is in response to the global impact of Covid-19 generating an unprecedented set of circumstances on which Savills have had to base their valuation, and as a result they declared that a higher degree of caution should be attached to the valuation than would normally be the case. This material uncertainty is being declared by the majority of RICS compliant valuers nationally and is not specific to the Fund. The Fund have made appropriate reference to this 'material uncertainty' within Note 5 to the accounts. They have assessed the potential impact to the Fund and have provided a sensitivity analysis to allow users of the accounts to assess the potential impact that changes in the valuation of these assets can have on the net assets of the fund. We are therefore proposing the inclusion of an Emphasis of Matter paragraph highlighting the valuation material uncertainty disclosures within the Fund's financial statements associated with the Fund's direct property as a result of Covid-19. Our opinion is not modified in this respect.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of Level 3 Investments	In response to this risk we have: • evaluated management's processes for valuing Level 3 investments • 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; to ensure that the requirements of the Code were met • independently requested year-end confirmations from investment managers • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreed these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2020 with reference to known movements in the intervening period • tested revaluations made during the year to see if they had been input correctly into the Pension Fund's financial records • where available reviewed investment manager service auditor report on design effectiveness of internal controls. Our testing of level 3 investments indicated that the balance was overstated. This is principally a function of the timing of the production of financial statements and the particular challenges faced in the markets in March 2020. Per the Fund's accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash which are then assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the audit date. We would typically expect to see a number of small variances as a result of this, usually netting out to a below trivial (and therefore non reportable) variance. The higher than usual variance is indicative of the wider uncertainty in the markets at the balance sheet date, but is not a material difference and does not indicate any weakness in management's arrangements for estimating investment values at year end. The factual overstatement error identified in our sample testing is £16.021m. We have extrapolated this error across the remainder of the population which was not tested and determined an extrapolated uncertainty of £30.741m. As the figure is an extrapolation it is not possible to adjust for it and management have determined not to undertake additional work to quantify exact differences on the basis that the difference is not material. Further detail can be found in Appendix A. Management has disclosed within Note 5 of the accounts the impact that Covid-19 has caused in adding a further degree of uncertainty to the year end values recorded in the financial statements. Management also confirmed that the investment managers for the funds have factored an adjustment for Covid-19 into their valuations.

Significant findings – going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary	Auditor commentary
Management's assessment process 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. Management have provided us with a forecast Fund Account including income, expenditure and asset values for the next 3 years. This forecast includes an assessment of: • the estimated impact of Covid-19 on income streams • the impact of the updated contributions rates as a result of the 2019 triennial valuation	• Whilst the Fund's financial statements are prepared in accordance with CIPFA's Code of Local Authority Accounting the PRAG Pension SORP provides helpful additional guidance for defined benefit schemes in noting that even where a scheme is significantly underfunded it should continue to be treated as a going concern for accounting purposes unless a decision has been made to wind up the scheme. As noted the Scheme is currently 101% funded on a solvency basis based upon the latest triennial valuation and has sufficient funds to continue meeting benefit payments for the medium to long term (see below). In respect of any such decision for wind up the LGPS is a statutory scheme that can only be wound up by Government and there are currently no intentions to wind up the Merseyside Pension Fund. • Management's forecasts supporting the use of the going concern basis, prepared by the Fund's Head of Finance & Risk, were sufficiently detailed and based on appropriate assumptions.
Work performed We have assessed the judgment made by management as well as the forecasted financial information which they have provided us. We challenged the assumptions applied by management in the forecasts and applied sensitivity analysis to those assumptions to consider the effect of estimation uncertainty on those assumptions. Our findings support the Fund's assessment that the use of the going concern basis of preparation is appropriate.	• The Net Assets of the Fund at 31/3/20 were £8.6bn. This is approximately 23 times the annual benefit payments due. • The Fund has £4.053bn of Level 1 assets. These assets are liquid and can be accessed quickly for cashflow purposes if required. • The Local Government Pension Scheme is a statutory scheme and there are no events or conditions that would indicate the winding up of the scheme. • No material uncertainties related to going concern were identified • No issues have been identified from the work performed
Concluding comments	The Fund have included, within Note 6 of the accounts, a non-adjusting post balance sheet event in relation to the impact of Covid-19 on the fund and the uncertainties it presents. The use of the going concern basis is appropriate and therefore our audit opinion is unmodified in this respect.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Level 3 investments	The Pension Fund has investments in unquoted equity and pooled investments that in total are valued on the balance sheet as at 31 March 2020 at £1,898m. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by the general partners to the private equity funds which the Fund invests in. The value of the investments has increased by £206m in 2019/20, largely due to the net impact of acquisitions exceeding disposals and net losses on investments. Management has disclosed within note 5 of the accounts the impact that Covid-19 has caused in adding a further degree of uncertainty to the year end values recorded in the financial statements.	Management determine the values of level 3 investments through placing reliance on the expertise of investment managers. As such we have sought confirmations of year end valuations from all main mandate managers. We have also tested a sample of level 3 investments to audited accounts to determine if the values estimated are reasonable and within our acceptable tolerances based on our expectation derived from the audited accounts. Management have disclosed, within Note 5 of the accounts, the uncertainty related to level 3 investments (absolute return funds and private equity) as well as providing a supporting sensitivity analysis to allow the reader to understand the potential impact on the accounts should the value of those estimates change.	Green
Valuation of Direct Property	The Pension Fund has investments in directly held investment properties that in total are valued on the balance sheet as at 31 March 2020 at £472m. In order to determine the value, management engage independent RICs qualified valuers, Savills, to calculate the fair value of the properties on the basis of their Market Value. All of the properties held by the Fund were valued as at 31/3/20. The value of the investments have decreased by £49.8m in 2019/20, largely due to the net impact of purchases and sales, and also a fall in market value. The valuers report has been prepared on the basis of a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. The Fund have appropriately referred to this within note 5 of the accounts and have provided a sensitivity analysis to allow users of the accounts to assess the potential impact that changes in the valuation of these assets can have on the net assets of the fund.	Management determine the value of Level 3 direct property investments through placing reliance on the expertise of the property valuer. As such we have sought confirmations of year end valuations from the valuer as well as corresponding with them to understand and assess their skills, competence and independence from the Fund in valuing the property. We have also evaluated the assumptions used in the calculation of the estimate as well as the source evidence they relied upon. We compared movements in individual asset values to movements in market indices and challenged management on any movements which were outside of our expected range. As a result of the added uncertainty caused by Covid-19 we engaged our own auditors expert to assess the instructions provided to the valuer in comparison to the requirements from CIPFA / IFRS / RICS and also to assess the valuation methodology and approach, resulting assumptions adopted and any other relevant points.	Green

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Level 2 investments	The Pension Fund have investments in unquoted bonds, pooled investments and derivatives that in total are valued on the balance sheet as at 31 March 2020 at £1,663m. The investments can not be easily reconciled to valuations recorded on an open exchange / market as the valuation of the investments involves some subjectivity. In order to determine the value, management rely on the information which they are given from the various fund managers. The value of the investment has decreased by £107m in 2019/20, largely due to net disposals and a fall in market value.	Management determine the value of Level 2 Investments through placing reliance on the expertise of the various fund managers. As such we have sought confirmations of year end valuations from all main mandate managers and also tested a sample of unit values used to value level 2 investments to externally quoted information sources, or where not quoted, to unit values provided by the investment manager's own independent custodian. We have also consulted with our technical team in determining the appropriateness of the valuation of the derivative investments. Our valuations team performed their own valuation of a sample of the derivatives utilising their own estimates and assumptions which identified an extrapolated understated difference of £5.232m to the Fund's reported position. We are therefore satisfied that the Fund's estimation methodology produces materially correct figures. As the difference is below our materiality but above our reporting threshold we are informing those charged with governance as apart of their overall roles and responsibilities. We have identified two other issues with regards to Level 2 investments: • Firstly, derivative swaps positions of £5.843m were incorrectly omitted from the draft accounts. • Secondly, the purchases and sales of derivatives within Note 13 was prepared on a net rather than gross basis. Both of these items have been amended in the final set of accounts, see Appendix A for further detail.	● Green

Assessment

- Red We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Amber We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Yellow We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other matters for communication

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	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Pensions and Audit and Risk Management Committees. 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.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. The Fund has included within Note 23, disclosures relating to MPF fund managers with roles on investment boards who do not technically meet the definition of a related party under IAS 24. However, the Fund have disclosed the nature of these relationships and related transactions for transparency.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Pension Fund, which is included in the Pension Fund Committee Papers. We have requested specific representations in respect of the 'material valuation uncertainty' disclosures (referred to on pages 6 and 10) and management's proposals not to make adjustments for the matters reported on pages 7 and 10.
Confirmation requests from third parties	We requested direct confirmations from the custodian and all main mandate fund managers, plus a sample of managers of alternative investments. As detailed on page 9, we have received confirmations/audited accounts from most managers and management are assisting us to chase those confirmations that remain outstanding.
Disclosures	Our review found no material omissions in the financial statements. For key management personnel we have noted that the Fund has used contributions as an estimate for post-employment benefits. This area is subject to discussion within the sector but the CIPFA example accounts do note that assuming that most key personnel identified will belong to the LGPS or other defined benefit pension schemes, disclosure of employer contributions payable in the period will not generally represent an accurate basis for estimating post-employment benefits. We are satisfied that readers will not be mislead by the current disclosures but have discussed with management and this is an area that will be kept under review.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report with the opinion on the accounts.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Pension Fund's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Pension Fund's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified.

	Fees £	Threats identified	Safeguards
Audit related			
IAS19 procedures for other bodies admitted to the pension fund	£875 per letter (13 expected)	Self-Interest (because this is a recurring fee)	The fee for this work is recurring but not significant compared to the audit of the financial statements of £34,049 and in particular relative to Grant Thornton UK LLP's turnover overall. The fee is fixed based on the number of admitted bodies. Further, the work is on audit related services and integrated with the testing undertaken as part of the audit.
			These factors all mitigate the perceived self-interest threat to an acceptable level. The Fund has accrued for a fee of £9,800 for IAS 19 work. The amount to be recharged is to be confirmed but we are satisfied that the amount disclosed in the accounts would only differ from that which would be recharged by an insignificant amount .
		Self-review	We have not prepared the financial information on which our assurances will be used by the requesting auditor. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management
		Management	We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.
Non-audit related			
None			

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Pension Fund Committee None of the services provided are subject to contingent fees.

Appendix A

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000
Valuation of Level 2 Derivative Investments The draft accounts incorrectly omitted derivative total return swap investments of £5.843m from the Net Asset Statement and related Investment Notes. Management have confirmed that the accounts will be amended to take account of these investments.	£5,843	£5,843	£5,843
Overall impact	**£5,843**	**£5,843**	**£5,843**

Impact of prior year unadjusted misstatements

There were no adjustments identified during the prior year audit which had not been made within the final set of 2018/19 financial statements.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Wirral Council Audit and Risk Management Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Pension Fund Account £'000	Net Asset Statement £'000	Impact on total net assets £'000	Management's Reason for not adjusting
Valuation of level 3 investments Our testing of level 3 investments indicated that the balance was overstated due to the Fund using valuations as at 31/12/19 (the latest available at the time of preparing the accounts) for some investments and not valuations as at 31/3/2020. The value of the overstatement error is £16.021m. Since this amount relates only to investment valuations included in our sample we have extrapolated the potential difference across the remainder of the level 3 investments balance which identified a possible extrapolated difference of £30.741m. As the figure is an extrapolation it is not possible to adjust for it and management have determined not to undertake additional work to quantify exact differences on the basis that the difference is not material.	(£30,741)	(£30,741)	(£30,741)	As detailed earlier in the report, this is an extrapolation based on sample testing of Level 3 assets intended as an indicative value to aid members' understanding of the financial statements as opposed to a precise proposed adjustment. Overall, our assessment is that the financial statements are not materially misstated and therefore no adjusting entry is required.
Overall impact	**(£30,741)**	**(£30,741)**	**(£30,741)**	

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission/amendment	Auditor recommendations	Adjusted?
General disclosures throughout the accounts Our review and audit of the draft accounts identified a small number of presentational changes to enhance the clarity of the accounts for the reader.	We have shared the areas for presentational amendments and these have been reflected in the revised accounts. We also accept that management provided the accounts to us a month before the deadline so we could commence our audit and so limited the time available for managements own reviews of the accounts for presentational matters.	✓
Covid-19 and Estimation Uncertainty disclosures Our review of the draft accounts and reference to the FRC's Thematic Review of the Financial Reporting effects of Covid-19 identified areas of the accounts where enhanced disclosures could be made to allow the user of the accounts to greater understand the impact of Covid-19 on the Fund's accounts.	We shared the areas for improvement with management. Further disclosure has been added to the revised accounts within the Post Balance Sheet Events note, and the Estimation Uncertainty note.	✓
Note 13 Investments The investments note in the draft accounts included amounts for purchases and sales of derivative investments at the net value. These items should be included in the note as gross value. The impact of this is an understatement of purchases and sales of £338.356m. The purchases and sales recorded within note 13 of the draft accounts also included some transactions which were transfers between portfolios as opposed to settled purchase/sales trades. These items should not be recorded as purchases and sales within this note. The impact of this is an adjustment to both figures of £167.737m.	Management have confirmed that they will amend the accounts for both of the issues identified.	✓
Note 13b Analysis of Derivatives Related to the adjusted misstatement detailed on page 13, further disclosures are needed for the derivative swaps which were not accounted for by the fund in the draft accounts.	Management are amending the accounts to add in the additional disclosures required.	✓

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Pension Fund	£34,049	£39,156
Auditor's expert – direct property		£4,200
In-house derivative valuations		£1,000
Total audit fees (excluding VAT)	**£34,049**	**£44,356**

The proposed fees reconcile to the financial statements. The Fund have accrued £34k for audit fees and £10k for audit related non-audit fees based on our audit plan and will account for the additional fees that arise in the subsequent year, we are happy that this does not materially mispresent the position in your financial statements.

Across all suppliers, and sectors (public and private), the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, as well as to undertake additional and more robust testing. As a firm, we are absolutely committed to meeting the expectations of the FRC and other key stakeholders with regard to audit quality and public sector financial reporting. To ensure the increased regulatory focus and expectations are fully met we have been required to increase our fees on all our Local Government Pension Scheme clients. The final fee is due to be settled by Public Sector Audit Appointments. We understand that PSAA has approved in principle the planned fee per the Audit Plan of £34,049, but this is subject to their final review.

In addition, Covid-19 has impacted on the audit of your financial statements in several ways. These impacts include:

- Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has driven additional areas of audit work
- Management's assumptions and estimates - there is increased uncertainty over many estimates including investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. We have amended our approach communicated to you in our audit plan to address the risk to the valuation of direct property as a result of the impact of Covid-19 and also in respect of derivatives. As such we have engaged our own valuation expert to assist us in gaining assurance over the valuation of your directly held investment properties and utilised our in-house valuations team to independently assess derivatives valuations. The cost to the audit of this change in approach is expected to be £4,200 in respect of direct property and £1,000 in respect of derivatives (excluding VAT).
- Remote working – the most significant impact in terms of delivery is the move to remote working (both our teams and yours). We, as other auditors, are experiencing considerable delays as a result of remote working, including the delays in receiving accounts, quality of working papers, and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of relevant staff (due to shielding, being diverted to other essential functions, or other additional Covid related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming. The Government's current expectation to work from home as the default position is now likely to make this a greater issue for the audit than if we had been able to gradually return to our offices and Fund premises over the autumn of this year, as originally anticipated.

We have been discussing the impact Covid-19 has been having on audits with PSAA over the last few months and note that these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached https://www.frc.org.uk/covid-19-guidance-and-advice (see guidance for auditors) sets out the expectations of the FRC.

To date, we estimate that the issues highlighted above are increasing the time taken on audits by an average of 25%, in some cases higher. We understand from discussions with the ICAEW that this is similar to other firms. We have proposed an additional 15% fee in relation to the impact of Covid-19 to bring the total audit fee up to £39,156.

Pleased be assured that we are trying to mitigate this as far as possible through reduced travel time and travel costs and will be looking how we can absorb some of the remaining overrun ourselves. However, it is unlikely that this will be sufficient to cover the full additional cost. We are aware that the Pension Fund's finances are constrained and we will seek to minimise these costs as best we can and will also consider our own performance in delivering to the November deadline. We will discuss any variations to the planned audit fee with the Director of Merseyside Pension Fund before reporting to the Audit Committee at its next meeting.

Non-audit fees for other services	Proposed fee	Final fee
IAS19 procedures for other bodies admitted to the pension fun	£875 per letter	£TBC
Total non- audit fees (excluding VAT)	**£10,500 (based on 12 letters)**	**£TBC**

Appendix C

Audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of Wirral Metropolitan Borough Council on the pension fund financial statements of Merseyside Pension Fund

Opinion

We have audited the financial statements of Merseyside Pension Fund (the 'pension fund') administered by Wirral Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:
• give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
• have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
• the Director of Resources' use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
• the Director of Resources' has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

In our evaluation of the Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As, disclosed in Note 5 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in the pension fund's property valuation reports and consequently, less certainty, and a higher degree of caution should be attached to their valuation than normally would be the case. Our opinion is not modified in respect of this matter.

Other information

The Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Audit opinion continued

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Director of Resources is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit & Risk Management Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Grant Patterson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

[Date]

ANNUAL GOVERNANCE STATEMENT

2019-20

WIRRAL

Annual Governance Statement 2019/20

INTRODUCTION

Local authorities are required by statute to review their governance arrangements at least once per year.

Throughout the last year, Wirral Borough Council has continued with its strategy to improve upon the manner in which it discharges its governance responsibilities.

This statement explains how the Council has complied with its Code of Corporate Governance and continues to build upon the work of previous years, constantly improving, as a Council, that is learning, maturing and delivering for its constituents.

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Council also retains a best value duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

By discharging this responsibility (including as accountable body for the Merseyside Pension Fund), the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

Wirral Council is the administering authority for the Merseyside Pension Fund which publishes its own statement of accounts on an annual basis and includes a "Governance Compliance Statement". The statement outlines compliance to industry specific governance principles.

The Council has approved and adopted the Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework for Delivering Good Governance in Local Government 2016. A copy of the Code is available on our website: www.wirral.gov.uk.

This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 6 (1) (b) of the Accounts and Audit (England & Wales) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

The Council also fulfils a governance role in relation to the businesses that it wholly or jointly owns:

- Edsential - a Community Interest Company jointly owned by Cheshire West and Chester Council and Wirral Council to provide services to the Education sector: https://edsential.com/. The Council owns 50% of the shares in the company and provides governance oversight via a joint shareholder board with Cheshire West and Chester Council.
- Wirral Evolutions Ltd - a Council owned company, which delivers adult social care services: http://www.wirralevolutions.org/. The company shareholder board provides governance oversight. The board membership includes a Council Cabinet member to make strategic decisions on the behalf of the Council. Operational decisions are taken by the company board of directors.
- Wirral Growth Company - a limited liability partnership between the Council and Muse Developments Limited. The Council and Muse Developments Limited are equal partners in this venture and are jointly responsible for making all decisions. The partnership was created to promote the economic regeneration of the Borough.

What is Corporate Governance?

Corporate Governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting business it:

- Operates in a lawful, open, inclusive and honest manner
- Ensures that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the manner in which it operates.

The purpose of the Governance Framework

The governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Adhering to this framework enables the Council to monitor the success of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate / cost effective services.

Both risk management and internal control measurements are a significant part of the Council's corporate governance framework and are designed to manage risk to a reasonable level.

These safeguarding processes cannot eliminate all risk of failure to achieve the goals set by the Council's policies, aims and strategic objectives and can therefore only provide reasonable, rather than absolute assurances of their effectiveness.

The system of risk management and internal control is based upon an ongoing process, designed to identify and prioritise the risk to the achievement of the Councils' policies, aims and strategic objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

This statement builds upon those of previous years. Many of the key governance mechanisms remain in place and are referred to in previous statements, as well as in the Council's Code of Corporate Governance. These are available on the Council's website: www.wirral.gov.uk . This statement therefore describes the key changes and developments within the Council's governance framework during 2019-20 and up to the date of the approval of the annual statement of accounts .

The progress that has been made in dealing with the significant governance issue included in last year's statement and those governance issues that have been identified from this year's governance review are highlighted in this statement.

Council	Cabinet	Audit &Risk Management Committee	Overview and Scrutiny Committees	Corporate Governance	Risk Management	Audit
• Approve Constitution including Codes of Conduct • Approve the Wirral Plan. Approve budget and policy framework. "Holds cabinet to account" • Hold decision making meetings in public	• Set priorities in line with the Council's vision and recommend budget proposals to underpin delivery • Deliver financial performance within the budget and policy framework set by Council. • Hold decision making meetings in public	• Scrutinise and approve Financial Statements on behalf of the Council • Review Contract & Procurement Procedure Rules • Review and scrutinise governance arrangements, including internal and external audit updates / reports, and the management of risk • Holds meetings in public	• Provide a critical friend to challenge Cabinet as well as external authorities and agencies • Reflect the voice and concerns of the public and its communities • Holds meetings in public	• Review performance management and projects against milestones, resource allocation, risks and performance. • The Corporate Governance Group has responsibility for overseeing the annual review of the governance framework and the preparation of the annual governance statement • Corporate oversight by Council's additional governance boards; including Investment & Change Board • The Corporate management team including the role of its three statutory officers: the Head of Paid Service (Chief Executive), the Monitoring Officer and the Chief Financial Officer	• Review risk registers for corporate, operational and project risks • Corporate risks reviewed by the Senior Leadership Team and Audit & Risk Management Committee	• Set the internal audit strategy to meet the Council's overall strategic direction and provide assurance on risk management, governance and internal control arrangements • Undertake annual programme of internal audits, present progress reports including recommendations for improvement in systems and control • External Audit review and report on the Council's financial statements and vfm conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

REVIEW OF EFFECTIVENESS

Wirral Council has a responsibility for conducting, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the Chief Officers and senior managers within the Council who have responsibility for the development and maintenance of the governance environment. Their feedback and comments provided in Governance Assurance returns and meetings are an essential part of this review. It is also informed by the work of Internal Audit, the Chief Internal Auditor's Annual Report, together with findings and reports issued by the external auditor and other review agencies and inspectorates.

The Council aims to achieve good standards of governance by adhering to the seven core principles below, which form the basis of the Council's Code of Corporate Governance.

Reproduced from 'Delivering Good Governance in Local Government Framework 2014' published by CIPFA/IFAC

The results of the annual review of the effectiveness of the key elements of the Council's governance processes during 2019-20 are set out in the table below, demonstrating how the Council has complied with the seven principles set out in the CIPFA/SOLACE Framework during 2019-20.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2019-20
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	Key elements of the Council's governance arrangements, as detailed in the Council's Code of Corporate Governance, continue to include: • The Wirral Plan sets out the Council's key priorities; • The Constitution details how the Council operates, how decisions are made, and the procedures that are to be followed to ensure that arrangements are efficient, transparent and are available for constituent scrutiny as required; • Codes of Conduct define the standards of behaviour for Members and officers; • Arrangements to apply the set of standards (the Nolan principles) of conduct and behaviours expected of Members with constitutional oversight; • Relevant policies in operation include declarations of conflict of interest, declaration of gifts and hospitality, Dignity at Work and Whistleblowing; • An Anti-Fraud and Corruption policy and strategy, Anti-Bribery policy, Anti-Money Laundering policy and Fraud response plan demonstrate the Council's stance against fraud; • Monitoring Officer provisions, including the review of reports by Legal qualified officers and the record of legal advice provided, ensure the lawfulness of decisions taken by the Cabinet, Council and officers. Improvements in the year included workshops and roadshows to help develop, communicate and embed updated organisational priorities and values.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2019-20
B. Ensuring openness and comprehensive stakeholder engagement.	Key Elements of the Council's Governance Arrangements continue to include: • All Committee meetings are held in public, unless prevented by legislation and available on webcast. Minutes, reports and webcast recordings are available on the Council's website; • The Wirral Plan, pledge strategies, pledge action plans, and quarterly performance and update reports are available on the Council's website; • The various partnership arrangements supporting the Wirral Plan, including the Wirral Partnership Delivery Group and partnership based pledge steering groups evidence strong partner engagement; • An innovative approach to neighbourhood working designed around Wirral's four constituency areas; Birkenhead, Wallasey, Wirral South, Wirral West; • Utilising the Wirral View publication and associated websites to communicate and share information with constituents and stakeholders; • Budget papers, in-year financial monitoring reports and the Council's Medium Term Financial Strategy are published on the Council's website. Additional arrangements to support setting the budget include public consultation exercise to provide constituents with an opportunity to engage in budget proposals and influence decision making; • Public consultation exercises; those conducted during 2019/20 included consultation on the development of the Local Plan; • Equality Impact Assessments are undertaken and embedded in all Council decision making; • Relevant Council policies and strategies include an Engagement & Stakeholder Relations Strategy, a Corporate Equality and Cohesion strategy and Freedom of Information compliance publication. Improvements in year have included: • Improved SLT communications and transparency including Chief Executive Roadshows and regular issues of Exec View; • Further development of effective partnership working including the Multi-Agency Safeguarding team, which went fully live from September 2019, the developed Partnership for Children and close partnership working with Wirral University Hospital Trust and other local partners in connection with the successful repatriation of nationals from Wuhan province at the outbreak of the COVID-19 pandemic.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2019-20
C. Defining outcomes in terms of sustainable economic, social and environmental benefits.	Key Elements of the Council's Governance Arrangements continue to include: • The Wirral Plan, pledge strategies action plans, and quarterly performance reports outline the Council's vision, priorities and performance against planned outcomes; thus providing an effective framework for close working with partners and stakeholders (Wirral Plan performance). • An established corporate performance management framework; • Regular revenue and capital monitoring reports, and effective medium term financial planning ensure that the Council retains its commitment to stability, utilising available resources, whilst monitoring savings and income plans; • Council reports to support major decisions outline key implications, including economic, social, environmental, (where applicable); • Continued commitment to developing commercial opportunities. Improvements in year have included: • A revised Wirral Plan that clearly outlines the purpose and priorities for the Council; • Greater use of intelligence data to inform decisions at department and corporate level, recognising there is more to develop in this area. Ongoing initiatives to further strengthen corporate governance arrangements include: • An updated business planning process currently being developed that should ensure a more consistent and timely approach to developing business and service plans. This should be supported by regular performance monitoring of business plan delivery at all Department Management Teams; • Work to develop the new Council evidence based target operating model and outcomes based budgeting.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2019-20
D. Determining the interventions necessary to optimize the achievement of the intended outcomes.	Key Elements of the Council's Governance Arrangements continue to include: • The arrangements for joint strategic needs assessment across services, including factors such as economy, skills and business, help ensure the right insight and evidence is available to make evidence-based decisions and set strategic priorities; • The partnership approach to needs assessment, led by the over-arching Wirral Partnership Delivery Group, includes listening to the local voice of residents, service users and Members through various forms of consultation and communication; • All significant change programmes have evidence-based business cases to support the delivery of programmed work; • Council reports and underlying business cases outline options considered, risk assessments, and financial, legal, resource and equality implications; • Robust arrangements exist for reporting, monitoring and review of programme, pledge and service performance to support the delivery of impact and outcomes; • Optimising partnership approaches including integration to derive best value. • An ambitious programme for service review and change helps ensures effective use of transformational and programme management expertise and capacity; • Effective budget planning processes underpinned by the Medium Term Financial strategy.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2019-20
D. (continued) Determining the interventions necessary to optimize the achievement of the intended outcomes.	Improvements in the year have included : • The Partnership Board for the Council's Joint Venture with Muse (The Wirral Growth Company) met for the first time in April 2019. The Partnership Business Plan was approved in January 2020. Further progress with taking forward plans for some of the major developments that comprise the Wirral Waters One joint venture with Peel Holdings; • Embedding of improved governance structure for key Boards, including the Investment and Change Board and the Boards that provide Programme and Project oversight and structure; • Improved Leadership at SLT level. There have been more regular SLT meetings and changes to structure have meant clearer responsibility and accountability. Feedback confirms improved communications, more collaborative working with better recognition of joint issues, earlier identification and resolution of issues and stronger Leadership challenge; • A more open and transparent approach with more cross party working.; examples have included a Party Leaders Working Group on the Local Plan and pre-decision scrutiny on the Wirral Growth Company – Partnership Business Plan; • Improved Member / officer communication, including briefings in Group Leaders meetings. Ongoing initiatives to further strengthen corporate governance arrangements include: • It is recognised some of the financial systems, including the Oracle Ledger system, are out of date and out of support and as a result not fully fit for purpose, although adequate workaround processes are in place. These systems are to be replaced in 2021/22 under the Smart Business project. Implementation of the new Smart Business project is a key corporate project that will help support wider organisational change. The wider Digital strategy is in its infancy and will require more in the way of organisational communication and subsequent buy-in. • The Council has decided to move to a new Committee system from September 2020; which it is hoped will lead to improved accountability, transparency, collaboration and responsibility, e.g. as the committee structure will be more closely aligned to directorates. It is recognised that this significant change will bring challenges, including the need for training for officers and members, and to ensure the delivery (service committee) and oversight roles (including Policy & Resources) work efficiently together. • Urgent action was needed during 2019/20 to meet an emerging in-year budget deficit. Ongoing financial pressures have been exacerbated by the impact of Covid-19. Actions are in place to address these issues as detailed in the following sections. • Work to refresh the new Wirral Partnership.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2019-20
E. Developing the entity's capacity including the capability of its leadership and the individuals within it.	Key Elements of the Council's Governance arrangements continue to include: • Regular and transparent oversight of delivery and performance, through insightful reports including a quarterly performance and update report for Wirral Plan Pledges and regular Corporate Operational Health report to SLT; • Closer working relationships with business partners and stakeholders to improve delivery of key Council strategies; • The constitution clearly sets out roles and responsibilities of Members and Officers, including executive and non-executive functions and the scrutiny function; • A comprehensive Member development training programme; • An ongoing senior leadership development programme, including SLT away-days; • The provision of appropriate training and personal development opportunities for staff linked to the Council's corporate performance appraisal process; • The Council's graduate and apprentice recruitment programmes. Improvements in year have included: • Launch of a new People Strategy which guides how the Council develops and supports employees in five key areas: attracting & retaining talent; strong and visible leadership; values, behaviours and performance; embracing change; and workplace wellbeing; • Continuing to promote and embed the new "learning culture" throughout the organisation, with improved communications and learning and development opportunities, as promoted for example through the Learning and Development Opportunities bulletin; • A greater focus on workplace wellbeing, supported by regular and effective communications, for example the Wellbeing newsletters; • Training to help ensure effective working relationships between members and officers and a better understanding of the processes and procedures that underpin the organisation. Ongoing initiatives to further strengthen corporate governance arrangements include: • Preparations to introduce a new appraisal process. There have been significant improvements in recent years in completing appraisals; its envisaged the new process will help increase the effectiveness of appraisals held. The new simplified Wirral Plan, with a clear set of 5 priorities, will improve links between individual and organisational / department objectives; • Developments with regard to SLT coaching; • A new values and competency based approach to recruitment, linked to the introduction of a new e-recruitment platform, applicant tracking system and recruitment policy.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2019-20
F. Managing risk and performance through robust internal control and strong public financial management.	Key Elements of the Council's Governance arrangements continue to include: • An effective ARMC is in place, as confirmed by the Committee's self-assessment. The ARMC receives, approves and monitors the delivery of Audit Plans and monitors the effectiveness of risk management arrangements, including regular updates of the corporate risk register. The Chair produces an Annual Report that demonstrates the value added by Committee over the year; • Regular review of activity and performance as part of the Performance Management Framework; • Rigorous and transparent decision-making processes in place, with the publication of agendas ,minutes and the webcasting of meetings; • Financial management is a key element of the structure and processes that comprise the Council's governance arrangements; with key aspects including financial regulations, budget and policy framework procedure rules, monthly revenue and capital monitoring, quarterly reporting to Members, and periodic updates to the medium term financial strategy; • Effective scrutiny arrangements; • An Internal Audit function that complies with Public Sector Internal Audit Standards for Local Government with an audit programme that reflects corporate risks, plan and update reports to ARMC, bi-monthly activity reports to SLT and ARMC Members and the annual report and opinion prepared by the Chief Internal Auditor; • An annual programme of proactive and reactive internal audit fraud work; • Key projects are managed within the Programme Management Office (PMO) framework; with projects reporting to one of five programme boards which each report to the Investment & Change Board, in its overall 'gatekeeper' role. The Council is also undertaking a programme of service reviews, which are helping to bring together all aspects of change in the Council.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2019-20
F. (continued) Managing risk and performance through robust internal control and strong public financial management.	Improvements in the year have included : • Initial progress to strengthen the Council's arrangements for the improved management of Health & Safety. In the light of some recent events, including the tragic fatality from a tree fall and ensuing Coroner enquiry and prosecution against the Council, and investigation following the fire on Hilbre Island, the Council has implemented a Strategic Health & Safety Board, chaired by the Chief Executive to ensure health and safety remains high on the corporate agenda, and an operational sub-group. A dedicated training session in directing and managing safely was held for the corporate management team to ensure leaders are aware of expectations and responsibilities, with further training sessions for senior managers; • Appointment of a new Risk, Continuity and Compliance manager, regular updates of the corporate risk register including new risks added during the year, improved arrangements for the review of departmental risk registers and improved communications and transparency with ARMC members, including Member risk workshops and briefings with senior officers including the Chief Executive; • Improved controls for the appointment of consultants, following the additional ARMC meeting in April 2019; • Improved performance reporting to SLT through the further development of the Power BI Dashboard. Ongoing initiatives to further strengthen corporate governance arrangements include : • Updating, post the impact of Covid-19, and implementing a Health and Safety (H&S) Improvement Plan, updating the H&S strategy and policy and developing the H&S risk profile and risk register. There are also plans to improve arrangements for recording Health and Safety training, improving the quality of manager risk assessments and including key performance indicators in the dashboard reviewed by SLT. • Work is planned to further embed the corporate risk management processes, including plans to strengthen risk management for some of the major development projects, including risk workshops for all new projects, and to review the risk management strategy and training to ensure greater consistency. • It is recognised that more needs to be done to strengthen arrangements around procurement and contract management. Monitoring during the year has continued to report high levels of purchases without requisite purchase orders and ongoing compliance issues linked with breaches of contract procedure rules, including instances where poor service planning has left insufficient time to undertake expected procurement exercise leading to exceptions and contract extensions. Linked to this, it is also recognised that across the Council there are inconsistencies in the approach to contract management with scope to improve the standards of contract management and secure better value from existing contracts. • Work is ongoing to strengthen the Council's arrangements in relation to information governance. Training has been provided for information asset owners and administrators, plans are being developed for an enhanced SIRO report and an Information Governance risk register has been developed. The risk register does include nine assessed high risks; with the highest scoring risks relating to an inability to demonstrate GDPR compliance, a lack of awareness visibility and understanding of information management policy and procedures across the Council, and high levels of unmanaged Information owing to the lack of a corporate content / records management system. During 2020/21 the information governance monitoring strategy will be implemented to ensure that all elements of information governance are regularly reviewed by the Council's executive. This is planned to include key performance data, including for training and data breaches.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2019-20
F (continued) Managing risk and performance through robust internal control and strong public financial management	• Following the appointment of a new Risk, Continuity and Compliance manager in October 2019 a review of existing business continuity arrangements was commenced. This included discussions with key infrastructure services to understand the risks faced by Wirral Council for example the building assets and IT operations. A stocktake of existing business continuity plans highlighted that a significant proportion of plans were out of date, did not reflect new working practices or were not in line with the current management structure in operation. A work, training and awareness programme was in development with discussions for obtaining external support services underway. This was reported to SLT in February 2020, in the midst of the Wuhan repatriation work and as part of the discussions for the response plan for COVID-19, but was affected by the rapid development of the pandemic crisis response.
G Implementing good practices in transparency, reporting and audit to deliver effective accountability	Key Elements of the Council's Governance arrangements continue to include: • Public access to meetings and minutes and webcasting of Council meetings; • Regular Overview and Scrutiny Committee meetings; • An established process for the declaration of Member and Officer interests; • Adhering to all access to information statutory requirements and being committed to meeting the standards set out in the Transparency Code; • Publicising a robust complaints process and responding effectively to complaints, e.g. in statutory areas; • Accurate and reliable public reporting on performance (Wirral Plan), stewardship of resources (Statement of Accounts, in-year financial reporting and the Medium Term Financial Strategy), and compliance with the Governance Framework (AGS); • Internal Audit arrangements that comply with Public Sector Internal Audit Standards, including regular reporting of progress with the plan to ARMC. Improvements in year have included: • Wirral Council Workforce case study published in the Municipal Journal discussing how the Council connected with, supported and engaged its workforce to respond at pace to the COVID-19 pandemic and support local residents; • Nominated for a Municipal Journal award for Health and Social Care Integration. Ongoing initiatives to further strengthen corporate governance arrangements include: • Further training and related support for those responsible for compiling committee reports and plans to use the Committee 'Modern Gov' reporting system for reporting to SLT meetings.

Progress against the Significant Governance Issues reported in the 2018/19 AGS are set out in the table below..

Key area for improvement for 2019/20	Action taken to address the issue in 2019/20
Ofsted - Action required to address issues raised in the Improvement Notice issued by the Secretary of State for Education (30th September 2016) (Corporate Risk 9) (SGI Criteria 1,3,4,6)	The Improvement Notice issued by the Secretary of State for Education was formally lifted in July 2019 following the ILACS inspection of children's services in June 2019. The inspection recognised that leadership in Wirral Children's Services is good and that social care practice to help and protect children and young people required improvement and was no longer inadequate. The inspection outlined five key areas for continued improvement to be monitored as part of the 'supervision and support' arrangement with the Department for Education. Since June 2019, Children's Services has continued to move at pace to drive improvement. An action plan was drawn up against the five recommendations made by Ofsted and monthly operational review meetings were established to monitor delivery and align actions. A new Accountability Meeting was also established as a transition arrangement from the Improvement Board, dis-established in October. This governance group, led by the previous Independent Chair of the Improvement Board, is responsible for ensuring that continued progress is made and for offering constructive challenge and scrutiny. Since June, meetings of the Accountability Board have been held quarterly in December 2019 and February 2020. An Accountability meeting was also held virtually on 21 May 2020 during the COVID-19 crisis, which was a key meeting in outlining Children's Services response to supporting and protecting children in need and in demonstrating the continued focus on improvement and change to support positive outcomes for children and young people. The Director for Children's Services speaks regularly with the Department for Education to report on progress and discuss key issues as part of the supervision and support arrangements. This has also provided an opportunity to report on the relevant COVID response to ensure vulnerable children are kept safe. The COVID-19 crisis prolonged the period of supervision and support for Wirral, which was expected to be rescinded in July 2020. In November 2020, the Department for Education confirmed that the period of support and supervision is now complete and there would be no further formal involvement with Wirral Council children's services. The letter received from the Deputy Director, Children's Services Improvement and Interventions Unit stated that there "is strong and committed leadership in Wirral Council, and a clear vision for delivering high quality services". . The local authority will continue to ensure that improvement continues through the development of a accountability framework involving both internal and external review and challenge in order to provide assurance and ensure the scale of improvement continues.

Key area for improvement	Action taken to address the issue
The Council continues to face significant financial challenges. Uncertainty over the level of future funding and increased demand pressures mean the Council's ability to deliver future essential services depends on effective delivery of key actions to ensure financial resilience; including delivery of savings plans and planned actions to increase income. (Corporate Risk 1) (SGI Criteria 1,4,6	The Financial Sustainability programme was developed as a project to holistically manage and action the issues around sustainability.. Part of the project was to deliver the restructure to the finance team, a key starting point in resourcing the requirements for financial reporting and support for the organisation. This started on October 2019 and the first phase was complete by January 2020. A further significant action, was the design, development and implementation of a working model - the Medium Term .Financial Plan, a key outcome of which is to support the MTFS. Monthly and quarterly reporting were reviewed and revised. This had the impact of harmonisation of application of accounting treatments across the directorates, improved internal controls and enabled directorate-led forecasting. This will continue to be developed, and forms the basis of a proposed move to dashboard reporting in 2020/21 During the budget setting process, some additional measures were implemented, including improved pressure and savings documentation. This has enabled a baseline to which future items can be measured for progress. The global COVID-19 pandemic has paused the Financial Sustainability project, as resources and priorities have shifted. Finance continue to provide support to the wider organisation, but the medium and longer term actions within the programme are delayed.

Key area for improvement	Action taken to address the issue
The Secretary of State has issued a Direction for the Council to produce an Action Plan for the Delivery of the Local Plan. If the Council fails to deliver agreed requirements for the consultation, publication and implementation of the Local Plan it could result in intervention, a loss of control over future development and missed opportunities to promote economic growth. The Secretary of State has also threatened intervention in respect of the Council not meeting statutory timescales for planning decisions. (Corporate Risk 5) (SGI Criteria 3,4)	Action taken during 2019/20 included: - Action Plan agreed with MHCLG; - An extensive suite of evidence studies to inform a 'sound' Local Plan were completed; - Birkenhead Regeneration Framework and associated priority Delivery Actions Plans were commissioned to provide key evidence relating to brownfield housing supply and the comprehensive regeneration of Birkenhead; - A comprehensive Issues and Options Document including the Council's Prepared Urban Option for meeting Housing and employment needs was prepared and approved for consultation by Council in January 2020-meeting key MHCLG milestone; - Extensive consultation on the Issues and Options Document commenced on 27th January 2020 involving over 20 public walk in events and workshops. It has been necessary to extend the Local Plan preparation programme in consultation with MHCLG as a result of: - delays to existing studies arising from COVID-19 emergency; - the need to undertake new evidence studies to respond to significant issues raised in responses to the Issues and Options Regulation 18 consultation which was completed on 6th April. Action planned for 2020/21 is outlined in the Significant Governance Issue for Regeneration provided below. Performance in progressing major planning applications continues to be above the Government set target and MHCLG have confirmed that the improved performance means that the Council is no longer under the threat of formal designation. Performance is under constant monitoring by Officers to ensure performance remains high.

Key area for improvement	Action taken to address the issue
The Council, through the Wirral Growth Company, has ambitious plans for development and regeneration. If the WGC were to fail to deliver anticipated benefits, it would undermine the Council budgetary position, economic growth aspirations and public and investor confidence in the Authority. (Corporate Risk 10) (SGI Criteria 1,6)	The Partnership Agreement (PA) for the Joint Venture (JV) with Muse was signed in March 2019. The JV PA is underpinned by a suite of robust corporate legal documentation. The first JV Board meeting took place in April 2019 and meetings have taken place on a quarterly basis thereafter. The JV Board approved the first Year 1-3 Partnership Business Plan (PBP) in January 2020. This was approved by Cabinet on 24 February 2020. The PBP is underpinned by draft indicative Site Development Plans (SDPs) for the priority areas which will be monitored through the agreed SDP process agreed in the PA. The PBP will be updated annually and agreed at both the JV Board and Cabinet (or alternative Committee). The JV Board met in April 2020 and are due to meet again in July 2020.

Key area for improvement	Action taken to address the issue
Following a very serious tragic incident in November 2016 involving a section of tree falling on to a vehicle on the highway from Arrowe Park, which resulted in the injury to the driver and her unborn child who sadly died shortly after birth, a full review of the council's systems and processes for the inspection and maintenance of trees on its land and highways has been carried out. (Corporate Risk 14) (SGI Criteria 3,4)	Progress with implementing the required improvements to the Council's risk management strategies and procedures regarding trees continued at good pace during 2019/20. The cross-department Tree Action Plan working group continued to meet regularly, chaired by the Assistant Chief Executive, monitoring and reporting on progress, addressing issues and embedding agreed practices and procedures into business processes across Council services. Consultation has concluded on the newly developed Tree Strategy, including analysis of feedback from the public. A scrutiny review of the tree strategy has also now concluded with a number of recommendations for consideration. The strategy was approved by Cabinet on 27 July 2020. The first complete round of tree inspections in Parks and Countryside sites concluded in February, and subsequent required tree works emerging as a result, were on track for completion in Spring 2020, in line with the surveying recommendations. This work is overseen by the Council's Tree Risk Management Office (TRMO), who has worked with relevant teams across multiple service areas in the Council to ensure a consistent, and collaborative approach in tree management. A Highways and Assets Management Tree Officer and Parks and Countrysides Tree and Woodland Officer were recruited and started with the Council in early Spring 2020, operating under the strategic guidance of the corporate TRMO. Both positions provide specialist arboricultural advice to officers in these departments regarding all tree enquiries and also contract manage the tree maintenance contract in their respective areas. Work is ongoing between senior officers, supported by the expertise of the Tree Risk Management Officer to manage the tree related risks on school sites, as well as other Council owned assets and leased land. Officers are in the final stages of user acceptance testing the tree inventory functionality of a new Insight software package. This has been developed for the council to accommodate the tree risk matrix / concept prepared for the council by the TEP consultants in 2018. Capturing all tree data in an inventory package will be a vast improvement and will aid in the scheduling of future tree inspections and reporting compliance of reinspection within the designed resurvey frequency. The go live date for this package is the beginning of August 2020. All historic survey data has been loaded into Insight. A process has been devised to quality assure the records from previous inspections. It is planned to recruit two internal tree inspectors to be in place for when the current tree inspection contract concludes late 2020. The tree maintenance contract was due to be re-procured in summer 2020. In the light of COVID-19 restrictions, the decision was taken to extend the contract. The Council benefited from additional contractor availability during this period and the vast majority of the outstanding legacy tree works from the initial surveys has now been completed; the only exception being the low risk / elective works from the last of the major parks to be inspected. Officers are in the final process of reviewing the specification and preparing the tender information for the new tree maintenance contract, which will start in Spring 2021. The Council submitted a guilty plea to the Court hearing for the HSE prosecution and were fined £100,000 and HSE costs.

The impact of COVID-19 and the Council's response on the effectiveness of the Council's Governance processes is considered in the table below.

Impact of COVID-19	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2019-20
The COVID-19 pandemic is a key event that started in 2019/20 but has continued to have an impact on the governance of the Council until the time of publication of the AGS.	The impact of COVID-19 and the Council's response has highlighted the following concerning the effectiveness of the Council's Governance arrangements: The Council responded quickly to the impact of the pandemic making significant changes to its arrangements for decision making and the conduct of meetings. The Council mobilised structures early, adopting new ways of working. It quickly moved from an organisation structured primarily around department and service, to an emergency response structure led by a Strategic Co-ordination group, with close links to a cross-party leaders group. The operational response was led by a Tactical Co-ordination Group, operating through a series of delivery cells, including for example Economic Resilience, Humanitarian, Scientific Technical Advisory and Health and Social Care. The approach was flexible, with frequency of meetings varying through the different stages of the pandemic response. Effective close partnership working was continued through this period by means of the Merseyside Resilience Forum and the Chief Executive's regular meetings with Health partners. Initial feedback confirms this was a highly effective approach enabling decisions to be made quickly in a crisis and empowering senior and middle management to think innovatively to solve emerging issues, facilitating a sharp and single-minded focus on supporting the community. Appropriate governance arrangements were ensured, with Group Leader and Leader of Council ratification of decisions and a system to track all decisions made. The response is developing but continues to be on-going. Key challenges in the next few months will include devising and overseeing appropriate decision-making and governance arrangements for managing local outbreaks, enforcing lockdown arrangements where necessary, including the operation of the new Outbreak Board, and managing the return to Business as Usual for increasing numbers of Council services. It is recognised that the pandemic will continue to have a significant impact on the health economy and in economic terms, including on businesses, the community and on the Council's income. A process for reviewing and formally reporting the lessons learned from the Council response is currently underway.

SIGNIFICANT GOVERNANCE ISSUES

The following table details the Significant Governance Issues facing the Council that have been have identified from this year's review of the effectiveness of the Council's governance framework. In preparing this statement, the criteria used for 'significant governance' are issues which:

- Significantly undermine or threaten the achievement of a core organisational objective.
- Represent a significant failure to meet the principles (and sub-principles) of good governance (as detailed in the Code of Corporate Governance).
- Have resulted in significant public interest or have seriously damaged reputation.
- Are of significant concern to an inspector, external audit or regulator.
- Have been recommended by the head of internal audit or one of the statutory officers to be included.
- Require significant organisational and corporate cooperation to address it.

Issue	Action proposed during 2020/21	Lead Officer
Financial Resilience The Council's increased budget gap represents a significant financial risk to Wirral Council	The Council planned use of reserves during 2019/20 allowed a balanced budget and outturn to be achieved which was a £2.7m improvement from the quarter 3 forecast; the use of capital receipts of £8.3m, which is a one off use, played a key part in achieving this outturn. Reserves net of COVID reserves (£25.3m) at year-end are £41.5m. Use of some reserves set aside for specific projects is budgeted for in 2020/21 as these projects materialise. It is recognised that General Fund balances need to be strengthened. The key financial impacts of the COVID-19 pandemic can be described in three key ways • Expenditure for COVID-19 activity exceeds the additional funding we have received • Savings initiatives has largely been paused by limitations to resource through emergency activity • The movement from emergency to recovery to business as usual operations adds uncertainty which is difficult to assess. The combination of these items means that the budget gap has grown (£79m for 2020/21-2021/22 as at quarter one reporting). This represents a significant financial risk to Wirral Council The Council is to receive a third tranche of discretionary COVID-19 funding of £3.2m; a total of £23.9m over the three tranches. The Government has agreed to mitigate some of the income the Council has lost due to COVID-19; the total funding, along with final guidance and conditions, are yet to be confirmed. As a result of these increased pressures, a full review of how services will be delivered going forward is in progress; a re-design of services and a revised budget is expected. Risks associated with the 20/21 budget have been presented to SLT and Cabinet during July 2020 along with mitigating actions. The loss of income through fees and charges will significantly impact the Council in 2020/21 along with pressure on adults and children's services. Sundry debtors, Council Tax and Business Rates debtors will be closely monitored during 2020/21. A series of budget workshops are being held with Directorates to consider earmarked reserves, 2020/21 savings and growth items and 2021/22 budget pressures. There is currently a weekly process where potential proposals to bridge the 2021/22 budget gap are discussed in SLT workshops and reviewed by a cross-directorate Financial Challenge & Monitoring Group. Agreed proposals will be reported to Policy and Resources Committee in October for decision; any proposals agreed to be actioned immediately. Organisational restructure has aligned the procurement and commercial services with finance. This means that the support mechanisms for the organization in terms of expenditure control, income enhancement and wider financial acumen are strategically aligned and more able to provide a holistic service. There is a six-weekly FMCG (Financial Monitoring and Challenge Group) in place, where senior members of the directorate are tasked with identifying, challenging and supporting the actions associated with savings plans.	Shaer Halewood Director of Resources

Issue	Action proposed during 2020/21	Lead Officer
Financial Resilience (continued)	Work continues on user-led reporting, which will reduce production effort and improve financial acumen across the organisation. A pilot will be conducted for quarter 2. A budget process has been developed for 2021/22 which will provide clarity over the scale and delivery of actions required to meet a balanced budget position (SLT 29 July 2020). The Capital Outturn programme for 2020/21 resulted in £40m of capital expenditure against a revised budget of £61m, a number of schemes were re-profiled at Q3. The Capital Programme and associated processes for 2021/22 are undergoing a widescale review. Improvements are being made to governance processes including a reconstituted Capital and Asset Group; Business case production and challenge, cradle to grave monitoring and training for officers and members. In addition an in year review is taking place to review the current programme to ensure it is investing in current priority areas and to identify opportunities for the release of funding. As at Quarter 2 the Council has a projected deficit to 2021/22 of £75.6m (after Sales, Fees and Income compensation scheme of £9.3m). To support this deficit, which is primarily due to Covid-19, the Council has applied to the Ministry of Housing, Communities and Local Government to request for a Capitalisation Directive from HM Treasury on our behalf, to fund Covid-19 losses of income and cost pressures. The Council's financial position will change as a result of the Spending Review but this will not be fully known until the final funding settlement is received in January.	Shaer Halewood Director of Resources
Non- Compliance Non-compliance with corporate policies and procedures across disciplines such as HR, finance, information, procurement, health & safety, and business continuity put the reputation of the Council and the health and safety of our staff and residents at risk, and may lead to financial penalty and ultimately loss of life.	Actions included in the corporate risk register for addressing the corporate issue of non-compliance include: - Implement the new Scheme of Delegation; - Ensure improvements to managers' ability to address under-performance; a project to introduce a new performance management framework is underway; - Develop reporting to highlight the Council's legal obligations/statutory duties and whether these are being met; - Ensure appropriate training programmes, and targeted roles, for key risk areas, such as Health and Safety, Information Management; - Implement recommendations of external review carried out by Zurich Municipal in December 2019 to provide an evidence base and recommendations from which to resolve issues in Health and Safety; - Ensure Investigations into specific H&S incidents provide an evidence base upon which to put in place appropriate preventative action. Other actions include: - The procurement team have redesigned the purchasing system to improve visibility, accountability and monitoring, this will go live in Autumn 2020. - Regular instructions in respect of business continuity are given to managers to consider the changes COVID-19 has had on services and asking them to ensure that business continuity arrangements and instructions to staff adequately reflect the new operating arrangements. In addition the impact of Brexit following the end of the transition period has also been raised. It is not anticipated that resources will be available to fully update business continuity plans due to the prolonged response period of the crisis. Longer term a revamp of business continuity management is required, building on the experiences and lessons learnt from the COVID-19 response and recognising the new ways of working and increased working from home capabilities and associated risks for example from a cyber attack and significant loss of IT.	Shaer Halewood Director of Resources

Issue	Action proposed during 2020/21	Lead Officer
Regeneration The Council needs to effectively drive and deliver key regeneration projects and growth, including Wirral Waters and the Wirral Growth Company (WGC), which are key to the achievement of the Council's financial resilience plans. This will require the Council to develop and deliver a comprehensive regeneration strategy that can attract the substantial resources needed to deliver the projects. The Local Plan needs to be delivered to help drive Regeneration and avoid potential Government Intervention.	Key actions for 20/21 include: - The Draft Birkenhead Regeneration Framework (BRF) and initial priority Delivery Action Plans (DAPs) (Hind Street, Town Centre, 'Hamilton Park') to be subject to consultation in summer 2020 with plans to complete late 2020; -final DAPs (Scotts Quay, Kelvinside and Seacombe Corridor) to commence summer 2020 for completion early 2021; - Collectively BRF and DAPs to provide spatial and investment framework for comprehensive regeneration of Birkenhead and will provide key evidence for emerging local plan; - Draft Liscard masterplan subject to consultation in summer 2020 with plans to complete later in 2020; - Draft New Brighton masterplan subject to consultation in spring 2021 with plans to complete late spring 2021. The WGC is on track for planning application submission for Birkenhead development in August 2020. This includes a detailed application for the first two office buildings and outline application for the masterplan area. Development plans for Moreton have been stalled due to Covid19 and the inability to carry out full public consultation as planned. Public consultation for Pasture Road is now planned for Autumn 2020 and will be carried out virtually / within social distancing guidelines as appropriate. The Publication of the Draft Local Plan under Regulation 19 is now expected between June and July 2021 with Submission for Examination in October / November 2021. Intensive work is underway to: - complete the preparation of the detailed Draft Local Plan and essential outstanding studies and workstreams including the Birkenhead Regeneration Framework; - engage with key strategic brownfield site owners to bring forward housing development within the Local Plan period. Further consultations on key evidence studies will take place over the summer and autumn 2020 period including engagement with members.	Alan Evans, Director of Regeneration & Place

Issue	Action proposed during 2020/21	Lead Officer
New Political arrangements There are significant implications for the Council in changing its decision making structure to a new form of governance. Across the Council, the change to potentially different ways of working and briefing with Members will require greater and different input from officers. The extent of the resource implications in the longer term will vary dependent on a number of factors. The process of change will raise a number of associated risks which will need to be identified and managed as part of the ongoing process of implementation and practice post September 2020. A key risk to the objectives of the decision made by Council is that a change to the form of governance arrangements fails to bring with it the desired change in culture.	Ongoing training for Members and officers together with the approach of the Constitutional drafting, including role descriptors, improved working protocols and mandatory training, and a service review and staffing re-design within Democratic Services will assist in mitigating the risks. A Committee Services Cell has also been established.	Philip McCourt Director of Law & Governance

CERTIFICATION

To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.

Signed:

Paul Satoor, Chief Executive

Date: 7 December 2020

Signed:

Councillor Janette Williamson, Leader of the Council

Date: 7 December 2020