



## Audit and Risk Management Committee

<b>Date:</b>	<b>Monday, 27 September 2021</b>
<b>Time:</b>	<b>6.00 p.m.</b>
<b>Venue:</b>	<b>The Floral Pavilion, New Brighton</b>

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

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## AGENDA

Members of the public are encouraged to view the meeting via the webcast, (see below) but anyone attending in person is advised that seating is limited and will be asked to wear a face covering (unless exempt) and are encouraged to take a Lateral Flow Test before attending. You should not attend if you have tested positive for Coronavirus or if you have any symptoms of Coronavirus.

- 1. WELCOME AND INTRODUCTION**
- 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. MINUTES (Pages 1 - 8)**

To approve the accuracy of the minutes of the meeting held on 5 July 21.

- 4. QUESTIONS AND STATEMENTS**

Notice of question to be given in writing or by email by 12 noon, Wednesday 22 September 2021 to the Council's Monitoring Officer ([committeeservices@wirral.gov.uk](mailto:committeeservices@wirral.gov.uk)) and to be dealt with in accordance with Standing Order 10.

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## **5. QUESTIONS BY MEMBERS**

Questions by Members to dealt with in accordance with Standing Orders 12.3 to 12.8.

## **6. INTERNAL AUDIT UPDATE (Pages 9 - 18)**

## **7. CORPORATE RISK MANAGEMENT UPDATE (Pages 19 - 30)**

## **8. EXTERNAL AUDIT UPDATE REPORT 2020/21 (Pages 31 - 58)**

## **9. FINANCIAL SUSTAINABILITY - COMPARISON WITH OTHER LOCAL AUTHORITIES (Pages 59 - 70)**

## **10. WHISTLEBLOWING POLICY (Pages 71 - 98)**

## **11. 2020/21 DRAFT STATEMENT OF ACCOUNTS UPDATE (Pages 99 - 312)**

## **12. INTERNAL AUDIT POLICIES AND PROCEDURES (Pages 313 - 346)**

### ***Audio/Visual Recording of Meetings***

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## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 5 July 2021

Present:

Councillor	K Hodson (Chair)	
Councillors	S Whittingham	J Johnson
	K Cannon	S Mountney
	AER Jones	T Smith
	I Lewis	D Brennan
	S Kelly	Jason Walsh

### 1 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

Councillor David Brennan declared a personal interest in relation to item 8 by virtue of his pension with Merseyside Pension Fund.

### 2 MINUTES

**Resolved – That the minutes of the meeting held on 9 March 2021, be approved.**

### 3 PUBLIC AND MEMBER QUESTIONS

No questions, statements or petitions were submitted.

### 4 INTERNAL AUDIT UPDATE

Mark Niblock, Chief Internal Auditor, introduced the report that summarised the work of the Internal Audit Service for the period 1 March to 31 May 2021. The report identified the significant impact of the Covid-19 pandemic on scheduled audit work and included an analysis of planned work for the remainder of 2020/21.

The report identified to Members some of the impacts of the pandemic on the normal work of the team including the increased demands outside of the norm to address additional risks presented and the impact of this on routine planned work. The report focused on the following:

- The ongoing impact of Covid-19 on the Internal Audit Plan;
- The Internal Audit Activity for the March to May reporting period;

- The planned Internal Audit work for the remainder of the year.

The report provided further detail on some of the workstreams including work on evaluating the effectiveness of the Council's arrangements to combat enhanced cyber threats during the pandemic as well as evaluating the effectiveness of the physical and environmental controls in the Treasury Building Data Centre. The Committee was also advised that work was ongoing to evaluate the action points from the Liverpool City Council Best Value Inspection Report, with the learning to be presented to SLT and then back to the Audit and Risk Management Committee.

Members sought further clarification on both the hardware and software controls in place, and it was suggested that colleagues responsible for Cyber Security be invited to a future meeting. Further assurances were also sought on the risks associated with the Audit Plan not being fully compliant with the Public Sector Internal Auditing Standards, where the Committee was advised that there was an acceptance nationally that Councils would not be able to operate to normal standards whilst responding to Covid-19, but work was underway at Wirral to return to business as usual as soon as possible.

**Resolved – That the report be noted.**

## **5 CHIEF INTERNAL AUDITORS ANNUAL REPORT AND OPINION 2020-21**

Mark Niblock, Chief Internal Auditor introduced the report which provided a summary of the work undertaken by the Audit service throughout 2020/21 as well as an overall opinion from the Chief Internal Auditor as to the effectiveness of the Council's control environment.

The report was produced to comply with the requirements of the Public Sector Internal Audit Standards, and the opinion identified within the report reflected the work undertaken during the 2020/21 year and due to Covid-19, the overall opinion had relied upon a variety of supporting information and evidence that would not usually be the case, including an assessment and evaluation of the Council's response to the pandemic and various governance and control operations implemented as a result.

It was noted that there was a planned upgrade to the financial systems as well as data cleansing, and assurances were sought that associated risks would be mitigated and that external auditors would still have access to all the necessary data.

**Resolved – That the report be noted.**

## **6 CORPORATE RISK MANAGEMENT UPDATE**

Mark Niblock, Chief Internal Auditor introduced the report of the Director of Resources that provided an update on the Council's risk management arrangements and areas of risk management focus over the upcoming year.

The report detailed the work of Zurich Municipal to look at the risk appetite across Wirral Council in line with the Government's Orange Book – Management of Risk, Principles and Concepts, the findings of which would be presented to the Committee. It also detailed the work of a Member Sub-Group to provide more time to review the Corporate Risk Register and associated risk mitigation, as well as further detail on the work to develop and refresh directorate risk registers to align with the draft Wirral Plan 2021-2026.

It was queried whether Policy and Services Committees should include mitigation of risks associated with their area on their work programmes, where it was confirmed that there was already close working relationships between the Chief Internal Auditor and Policy and Services Committees Chair and Spokes to identify risks, but that these arrangements could be developed further. Further clarity was sought on the risks associated with the capitalisation directive, and members were advised this was still being considered by the Director of Resources and an updated Risk Register would be circulated to members in due course.

**Resolved – That the report be noted.**

## 7 **EXTERNAL AUDIT PLAN WIRRAL COUNCIL 2020-21**

Naomi Povey, Grant Thornton UK LLP introduced the report of the Director of Resources, which provided the Committee with the External Audit Plan, undertaken by Grant Thornton UK LLP as the Council's appointed independent external auditors and as part of the statutory audit of Wirral Council.

The report detailed the key matters for the external audit report, where it was acknowledged that the Council was facing significant financial challenges, therefore the focus of the Value for Money work was on the financial sustainability of the Council. A further area of focus was the group of companies that the Council had established, where the deficit position of Edsential was noted. The report also listed the significant risks that required special audit consideration and procedures, the main risk being the recognition of the additional Covid-19 grant income and expenditure. Members' attention was also brought to the progress made against prior year audit recommendations, and the external auditors' assessment of these.

Members discussed the costs associated with undertaking the external audit and it was confirmed that the cost had increased due to the increased work required to gain assurance as part of the financial pressures the Council was facing including the capitalisation directive.

**Resolved – That**

- 1) it be agreed that the arrangements set out within the Audit Plan meet the Committee’s expectations in providing independent scrutiny.**
- 2) the report be noted.**

**8 EXTERNAL AUDIT PLAN MERSEYSIDE PENSION FUND 2020-21**

Stuart Basnett, Grant Thornton UK LLC introduced the report of the Director of Resources which outlined Grant Thornton’s external audit plan for Merseyside Pension Fund for 2020-21 which had been undertaken as part of their statutory audit and presented to the Pensions Committee in June 2021.

It was reported that the process for undertaking the audit for the Pension Fund was comparable to that of the Council, therefore the significant risks relating to the Pension Fund were outlined including fraud in revenue and expenditure recognition, valuation of level 3 investments and valuation of directly held property. It was further reported that additional work had been undertaken to mitigate the risk of the valuation of directly held property including liaising with the Fund’s property valuator as well as engaging an independent valuator to gain assurance on the appropriateness of the valuations. The audit site visits had taken place earlier in the year remotely, and the final accounts were due to be completed later in the week with the findings to be reported back to the September committee.

**Resolved – That**

- 1) the report be noted.**
- 2) it be agreed that the proposed Audit Plan and the arrangements set out meet the Committee’s expectations with regard to providing independent scrutiny.**

**9 ANNUAL GOVERNANCE STATEMENT**

Iain Miles, Internal Audit Manager introduced the report of the Director of Resources which presented the Annual Governance Statement to Committee for consideration, detailing the outcome of the annual review of the effectiveness of the Council’s governance framework including the system of internal control. The Annual Governance Statement reflected the key governance issues up to the date of the approval of the annual statement of accounts, and therefore a final version would be reported to the Committee in November 2021 for approval alongside the final version of the financial statement.

The Committee was advised that the statement covered the period from 1 April 2020 to 31 March 2021 and therefore any significant governance issues identified occurred during that period. The statement reports the outcome of the annual review of the governance framework, the key elements of which included:

- The completion of Governance Assurance Statements by each of the Council's Senior Leadership Team.
- Individual discussions with each member of SLT to gauge their views on progress and areas for improvement in respect of each of the seven principles in the CIPFA/SOLACE Framework for good governance.
- Review of Internal Audit work completed in the year.
- Consideration of any significant internal or external reviews of governance, including reviews by external audit and other review agencies and inspectorates as applicable.

As a result, the main content of the statement included a summary of the significant action taken during 2020/21 in respect of the four significant governance issues identified in last year's statement, alongside a summary of the actions planned 2021/22 to address the three significant governance issues identified from the current year's annual governance review.

Members acknowledged the key role the Audit and Risk Management Committee would play in managing financial risks in 2021-22 and reiterated the additional measures that could be put in place for committees to manage their risks.

#### **Resolved – That**

- 1) the draft Annual Governance Statement, including the actions planned in 2021/22 to address the three significant issues identified from this year's annual governance review be approved.**
- 2) the signing of the draft statement prior to publication by 31 July 2021 be delegated to the Chief Executive and Leader of the Council.**

#### 10 **PROCUREMENT UPDATE**

Keith Patterson, Head of Commercial Procurement introduced the report of the Director of Resources, which informed the Committee of the range and number of contracts awarded which have been subject to the Contracts Procedure Rules Rule 17, Waiving the Rules (Rule 12) and Extension/Variation (Rule 13). The Head of Commercial Procurement read out a statement on behalf of the Director of Resources, which outlined the progress and commitment to reducing the number of exception requests and

retrospective Purchase Orders, and updated the committee on the steps taken including all stats being shared with Directors on a monthly basis who are asked to ensure compliance within the directorate, alongside the data being reported and challenged at several senior officer meetings and the appointment of a new member of staff responsible for ensuring compliance across the Council.

The report detailed two main themes which were contracts information and the 'NO PO NO PAY' policy progress, and members were advised that during the period 1 October 2020 to 21 March 2021 there had been 22 extensions, 37 variations and 30 exceptions awarded. In terms of the NO PO NO PAY policy, it was reported that the value of retrospective Purchase Orders had reduced from 33% to 26% and additional measures in place to reduce that further were taking effect. Freestanding invoices had reduced in value by 65% since the last report, with only 825 invoices remaining out of 9,000 reported in November 2019 and work underway to action those still outstanding.

Members queried the number of contracts for Civica and Capita, where it was confirmed officers were mindful and already in discussions around how many contracts the Council were currently in with large organisations. Members raised concerns around the number of contract extensions and variations and sought further information on the narrative behind these. Assurances were given around the robustness of the process for approving contract extensions or variations, but the Committee were advised that further detail would be included in future reports. Members discussed the potential need for these issues to be escalated to the Audit and Risk Management Committee, where it was proposed that the Committee could be used as an escalation point for any issues arising from meetings between the Chief Executive and Directors regarding budgetary compliance.

**Resolved – That**

- 1) the report be noted.**
- 2) the Director of Resources be requested to present further information relating to contract overspends to the Audit and Risk Management Committee Chair and Group Spokespersons.**

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

Colin Hughes, Solicitor introduced the report of the Director of Law and Governance which provided the outcome of an inspection on 21 May 2021 by the Investigatory Powers Commissioner and detailed the recommendations of the inspection relating to data retention and security, which Committee approval was being sought to include within the Policy and Procedure Guidance on the Council's use of covert surveillance.

The Committee was advised that the inspection was considering the Council's use of powers granted by the Regulation of Investigatory Powers Act 2000 to use covert surveillance to report criminals. The inspectors were reportedly satisfied with the training that was provided to officers which took place annually. It was reported that since December 2018, there had been three authorisations for covert surveillance granted by the Council and approved by the Magistrates Courts, including 2 instances for sale of tobacco to underaged people and 1 instance of fly tipping. The inspector was satisfied that the proper guidance had been given.

**Resolved – That**

- 1) the contents of the report of the e Inspector appointed by the Investigatory Powers Commissioner on the use of covert surveillance by the Council be noted and the recommendations be adopted.**
- 2) the Policy and Procedure Document contained in Appendix 3 on the use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA) as amended by the additional Section 12 on Data Security and Retention be approved.**

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## **AUDIT AND RISK MANAGEMENT COMMITTEE MONDAY 27 SEPTEMBER 2021**

<b>REPORT TITLE:</b>	<b>INTERNAL AUDIT UPDATE</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>

### **REPORT SUMMARY**

This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 1<sup>st</sup> July to 31<sup>st</sup> August 2021. There are a number of items of note concerning audit work undertaken that are brought to the attention of the Members for this period and these are identified at Section 3.2.

### **RECOMMENDATION**

The Audit and Risk Management Committee is recommended to note the report.

## **SUPPORTING INFORMATION**

### **1.0 REASON FOR RECOMMENDATION**

- 1.1 To provide the Members with assurance that the Council is taking appropriate measures to ensure that the control environment is effective and to comply with statutory requirements to provide an adequate and effective internal audit service.
- 1.2 To ensure that risks to the Council are managed effectively.
- 1.3 To ensure that the Council complies with best practice guidance identified by the Chartered Institute of Public Finance Accountants (CIPFA), the Chartered Institute of Internal Auditors (CIIA) as well as the Public Sector Internal Audit Standards (PSIAS).

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 No other options are considered appropriate as the Internal Audit Service is required to fully comply with the requirements of the PSIAS.

### **3.0 BACKGROUND AND AUDIT OUTPUT**

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

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

The information contained within this report is for the period 1st July to 31st August 2021.

#### **3.2 Items of Note**

Merseyside Pension Fund Benefits Payable

- 3.2.1 The Merseyside Pension Fund (MPF) Benefits Team calculate the retirement pension and lump sum payments following receipt of a request to process a benefits crystallisation event satisfying the choices made by the retiree. An audit has been undertaken of the Benefits Payable system as part of the Internal Audit Plan to ensure that the key risks associated with the system are appropriately addressed. The audit objective was to determine whether the controls within the risk areas for retirement benefit and new payroll payments are robust and provide reasonable assurance that the associated financial transactions are valid and accurate. The audit focused on the risk areas of audit trails, data accuracy and associated calculations for lump sum and recurring payroll payments. The audit methodology

also included detailed compliance testing on a sample of retirement cases selected from the 2020/21 financial year, to evaluate the effectiveness of the identified key controls. This testing was undertaken in a manner to support the co-operative arrangement with the external auditors for MPF, Grant Thornton. The review identified that there is an effective system that provides an audit trail from the request to process a benefit crystallisation event through to the retirement benefits calculation and payment. Reasonable assurance can also be provided that the immediate and recurring financial transactions for the sample tested are valid and accurate. One recommendation was agreed with management to maintain the effective control environment.

#### Merseyside Pension Fund – Complaint Referral

- 3.2.2 Internal Audit were commissioned by the Director of MPF to undertake a review of the handling of the pension for a member who had submitted a formal complaint to the Chief Executive. The objective of the audit was to review the complaint in order to determine if there was substance to the issues raised and to identify any associated actions required. An internal review by MPF officers had identified a number of issues in processing the member's pension and these were supported by the findings of the audit. Consequently, further resources, training, some revised processes and a number of audit recommendations have been introduced by the Director of Pensions to strengthen the control environment in the relevant areas. Follow-up audit work has subsequently confirmed that all of the necessary actions have now been effectively implemented.

#### Adult Safeguarding

- 3.2.3 Audit work on Adult Safeguarding is currently concluding and emerging findings indicate that satisfactory assurances have been provided regarding information input and maintenance within the relevant data systems, record-keeping and the establishment and monitoring of key performance targets. Further clarification is being sought concerning the level of reporting to Wirral Council officers regarding specific outcomes of safeguarding referrals, where a provider of care has been investigated and found liable or partially liable in relation to the safeguarding concern raised.
- 3.2.4 This audit work will be reported to relevant senior managers upon satisfactory clarification of this remaining outstanding issue and appropriate actions agreed to address any issues identified. Follow up audit work will be undertaken to ensure that agreed actions are implemented in a timely fashion and the outcome of this work reported to this Committee.

#### Wirral Growth Company - Governance

- 3.2.5 Internal Audit are currently finalising an audit of the governance arrangements in operation at the Wirral Growth Company (WGC), evaluating the effectiveness of the arrangements in operation and the robustness of the controls. The work has involved liaising with Local Partnerships who have provided the commissioned consultancy work on the WGC, plus discussions with Council and Muse officers regarding the development and operation of the Partnership. Testing has involved reviewing reports, plans and handover documents and their communication and approval

within the governance framework. As the formal Site Development Plan has recently been approved, further audit work on business plan reviews, timescales, funding and planned outcomes will now also commence.

- 3.2.6 The key issues arising from the governance review to date, covering both the Local Partnerships and Internal Audit assessments, include the following:
- Linking the objectives of the WGC to the Council's strategic objectives for the regeneration of the Borough.
  - Refreshing of the WGC performance reporting arrangements, including updating the business plan.
  - Client/shareholder board providing oversight of decisions requiring Council approval.
  - Continued marketing strategy to ensure demand for commercial, residential, and multi-use developments.
  - The strategy for creating a social value plan with our partner and the main contractor.
  - Any red rated items from the Programme and Projects risk registers being regularly updated to SLT.

- 3.2.7 Upon completion of the work a report identifying areas for action will be produced and the outcomes including agreed actions will be reported to this Committee.

#### Planning Services – Section 106

- 3.2.8 An audit review was conducted of the Section 106 (S106) Monies system. This is the system whereby legal agreements are made between Local Authorities and developers; these are linked to planning permissions and can also be known as planning obligations. The objective of the audit was to assess the adequacy and effectiveness of the internal controls in operation within the system.
- 3.2.9 The audit identified a number of risks within the system where controls were not deemed to be adequate to manage the risks effectively. These included a lack of a comprehensive and effective system for recording S106 monies and insufficient policies and procedures for managing and delivering on S106 agreements.
- 3.2.10 Internal Audit were made aware during the review of the Planning Sections intention to implement a new automated system for managing S106 finances in January 2022 and this should address many of the issues identified. In the interim a number of actions have been agreed with management to improve the overall controls in operation.
- 3.2.11 Follow up audit work is scheduled for February 2022 and progress towards the implementation of actions will be assessed and reported to senior management and this Committee.

#### Corporate Governance Group

- 3.2.12 The Corporate Governance Group (CGG) is made up of key members of the Senior Leadership Team and senior officers with particular responsibility for the oversight of

governance and risk management. The group oversees the Council's governance systems and processes for their effectiveness in practice, keeping them under review to ensure that they are up-to-date, and implementing appropriate monitoring and reporting. Key activities of the CGG include overseeing the preparation of the AGS, including monitoring the progress with the Significant Governance Issues reported in the AGS, and overseeing and monitoring progress with key compliance issues, including providing necessary challenge to senior officers as needed. The CGG is chaired by the Director of Resources. Audit and Risk leads make a significant contribution to the group; this includes taking the lead for agenda planning, working closely with the Chair, action tracking and progress reporting. A report on the role and activity of the CGG will be reported to the ARMC twice yearly, with the first report to the November 21 ARMC.

### LCC Best Value Inspection Issues

- 3.2.13 An audit review has been undertaken to identify the key action/learning points detailed in a report commissioned by the Secretary of State into the findings from Liverpool City Council's (LCC) - Best Value Review (BVR) at the request of the Chief Executive, to seek assurances regarding the robustness of Wirral Council's working arrangements. The LCC BVR focused on the Highways, Regeneration and Property Management functions and it was found that there were serious failings in both governance and practice in those areas of the LCC, subject to the inspection.
- 3.2.14 The objective of the audit review was to obtain assurance from Senior Officers regarding the effectiveness of arrangements at Wirral Council, relating to the findings and recommendations detailed in the LCC BVR and undertake targeted testing. The audit review identified that there are 22 actions required across the Council (WBC), many of which are either currently in the process of being implemented or have already been identified by the service area and are in the planning/development stages. Although the actions required do not pose a significant threat to the authority, they will increase the robustness and effectiveness of current systems/operations already in place, once fully implemented and should prevent any instances occurring, such as those significant issues experienced at LCC.
- 3.2.15 A report summarising the work completed and identifying the findings has been prepared and discussed with the Chief Executive and arrangements are being put in place to oversee progress on the implementation of all actions identified.

### 3.3 **Audit Recommendations**

- 3.3.1 All of the actions identified in audit reports for the period have been agreed with management and are being implemented within agreed timescales. The current BRAG status for these items are currently classified as amber or green as a consequence. Internal Audit will continue to monitor progress and report any slippages to senior management via the Power Bi dashboard on a monthly basis. Any significant items outstanding beyond agreed timescales and without sufficient mitigations will be reported to this Committee for any appropriate actions to be taken.

3.3.2 There are a number of historic actions from previous audit reports that remain outstanding as a direct consequence of delays experienced as a result of the Covid pandemic and its impact upon resources in some areas. These items are currently being discussed with management and revised timescales agreed as appropriate. If any of these items remain outstanding beyond these timescales then the escalation process will entail them being reported to this Committee for attention and action.

**3.4 Internal Audit Performance Indicators**

3.4.1 The Service constantly evaluates and measures the effectiveness of its performance in terms of both quality and productivity by means of a number of performance indicators in key areas as identified below. This is particularly important at present as the service returns to a normal level of operations following the disruptions caused by the Covid pandemic and the continued agile working:

<b>IA Performance Indicator</b>	<b>Annual Target</b>	<b>Actual % Delivery to date</b>
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms for the reporting period indicating satisfaction with the Internal Audit service.	90	100
Percentage of internal audit reports issued within 14 days of the completion of fieldwork.	100	100

3.4.2 There are currently no significant issues arising.

**3.5 Internal Audit Planned Work for Qtr 3-4 2021/22**

3.5.1 The revised flexible Internal Audit Plan as endorsed by this Committee and following disruptions arising from the Covid Pandemic includes targeted audit work aimed at evaluating the effectiveness of controls in operation in the following areas during the remainder of this quarter. Each piece of work has been identified for review based upon the significance of the risks presented in these areas and the corporate impact associated with failure of the control systems in operation. Each audit will culminate in a detailed report for senior management and identify any areas requiring attention/action and outcomes including progress updates will be reported to this Committee:

- Personal Budgets – Children and Young People Department
- Business Grants - Post Assurance Checks
- Financial Resilience – Budget Processes

- Corporate Governance – Compliance Reporting
- Business Planning and Performance Management
- Information Governance
- Wirral Growth Company
- Contract Management
- Health and Safety
- SmartBusiness Project (ERP)
- Regeneration Projects
- Merseyside Pension Fund
- Climate Emergency Arrangements
- Local Plan
- Counter Fraud Initiatives

### **3.6 Internal Audit Developments**

#### **3.6.1 Continuous Improvement**

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

- Continued ongoing development of the Mersey Region Counter Fraud group led by Wirral Internal Audit to include more joint fraud exercises and training across the local region and the North West of England;
- Continuing development of the Wirral Assurance Map identifying areas of assurance for the Council for utilisation in audit planning and risk management process;
- Ongoing development of performance management and reporting database with enhanced reporting;
- Ongoing improvements to the audit reporting format;
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services
- Improvements to Maintained Schools audit provision through development of risk-based work programme.

### **4.0 FINANCIAL IMPLICATIONS**

4.1 There are none arising from this report.

### **5.0 LEGAL IMPLICATIONS**

5.1 There are none arising from this report.

## **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

6.1 There are none arising from this report.

## **7.0 RELEVANT RISKS**

7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives. This is mitigated by a robust system of follow up, reporting and escalation of audit matters.

7.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner. This is mitigated by comprehensive governance and reporting systems developed and implemented in compliance with relevant professional standards.

## **8.0 ENGAGEMENT/CONSULTATION**

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

## **9.0 EQUALITY IMPLICATIONS**

9.1 There are none arising from this report.

## **10. ENVIRONMENT AND CLIMATE IMPLICATIONS**

10.1 The content and/or recommendations contained within this report are expected to have no impact on emissions of CO2/greenhouse gases.

### **REPORT AUTHOR:**

**Mark P Niblock**  
Chief Internal Auditor  
telephone: 0151 666 3432  
email: [markniblock@wirral.gov.uk](mailto:markniblock@wirral.gov.uk)

### **APPENDICES**

None

### **BACKGROUND PAPERS**

Internal Audit Plan 2021

### **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
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Audit and Risk Management Committee	Routine report presented to all meetings of this Committee.
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## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 27 September 2021

<b>REPORT TITLE:</b>	<b>CORPORATE RISK MANAGEMENT UPDATE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF RESOURCES (S151 OFFICER)</b>

### REPORT SUMMARY

This report provides an update on the Council's risk management arrangements and areas of risk management focus over the coming year.

This matter affects all Wards within the Borough. It is not a key decision.

### RECOMMENDATION/S

The Audit and Risk Management Committee is recommended to note the report.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 To enable the committee to understand the Authority's most significant risks, the associated mitigating controls, and the risk management framework to fulfil its role of providing independent assurance of the Council's Risk Management Framework.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 No other options considered appropriate as failure to report this information would demonstrate ineffective governance and non-compliance with professional best practice.

### **3.0 BACKGROUND INFORMATION**

- 3.1 With the approval of the Wirral Plan 2021-26 by Council on the 6<sup>th</sup> September work is progressing on developing the detailed Delivery Plans and Directorate Business Plans. This includes further engagement and discussion with relevant Committees taking place to shape the underpinning delivery plans and work programmes required to implement the Wirral Plan.
- 3.2 This includes the refreshing of the Directorate Risk Registers and Corporate Risks to ensure that the Council is aware of and understands the risks that have the potential to impact on the delivery of the priorities laid out in the respective plans.
- 3.3 The overarching aim of good risk management is to help the organisation understand the risks it is subjected to, as well as seeking to optimise a balanced approach to risk and controls.
- 3.4 This year this has been against the backdrop of the continuing pandemic. As services have returned to more business-as-usual work, since the relaxation of the pandemic restrictions, it is anticipated that progress will be made on planned actions which may have been paused. However, it is acknowledged that some services may not fully be at pre-pandemic operating or capacity levels and even where they are some activities may need to be restricted again as part of autumn/winter planning arrangements.

#### **Risk Appetite**

- 3.5 As detailed in the report to the Committee on 5<sup>th</sup> July work is underway with Zurich Municipal to develop a detailed statement of the Council's risk appetite for inclusion in the Council's Risk Policy and Strategy Framework.
- 3.6 Defining the Council's risk appetite can help in several ways by:
- Ensuring the Council is only taking a level of risk, and the type of risks, it is comfortable with to achieve its goals
  - Ensuring the risks are commensurate to the opportunity or reward to be gained

- Providing a framework for decision making; significant decisions can be taken with consideration to how it will affect the level or risk the Council is exposed to, and if this is acceptable or not
- Enabling staff to make judgements about which risks are acceptable in pursuing goals and which are not
- Ensure the response to specific risks is proportionate

3.7 An anonymous survey has been issued to 50-60 officers, across the top levels of management and directorates, to understand their personal opinions of:

1. The level of risk the Council should be willing to accept in the pursuit of its objectives
2. The level of exposure to different risks the Council is currently carrying
3. The level of risk exposure the Council will need to have going forward

3.8 Our attitude to risk differs depending on knowledge, expertise, and experiences both professional and personal. In addition, risk appetite naturally differs in different areas and levels across the Council. This will need to be reflected in the risk appetite

3.9 Results of the survey are to be used in a workshop with the Senior Leadership Team in mid-September to set the initial baseline which can then be developed and reviewed on a regular basis.

3.10 An update on progress and next steps will be included in a report to the next Committee in November and include the role of Members in the developing risk appetite statement.

### **Corporate Risk Register**

3.11 A copy of the latest Corporate Risk Register is available in Appendix 1. It is subject to continued refinement as the detailed Delivery Plans and Directorate Business Plans are finalised.

3.12 All the risks have been given an initial score, out of a maximum of 25, although this may change following the ratification of the plans already mentioned and the risk appetite work.

3.13 It is acknowledged that several of the risks will also be impacted by the pending reports and recommendations from the recent MHCLG reviews.

3.14 A new risk is being considered for inclusion. All Directorates have reported risks related to their ability to recruit and/or retain staff particularly in some technical or specialist areas. This is impacting on the capacity of services to deliver and in some areas to support other areas of the Council. In addition, some providers who are relied on to deliver services on behalf of the Council are also experiencing difficulties. Work is underway to understand the scale of the risk and the mitigating actions already in place or in development such as workforce planning, service reviews, training and workplace wellbeing initiatives including mental health support.

## **4.0 FINANCIAL IMPLICATIONS**

4.1 There are no immediate financial implications arising directly from this report.

## **5.0 LEGAL IMPLICATIONS**

5.1 There are no immediate legal implications arising directly from this report.

5.2 The Authority has a statutory responsibility under Part 2 – Internal Control of the Accounts and Audit Regulations (England) 2015 to have arrangements in place for the management of risk. It also forms part of the seven new core principles within the best practice guidance, 'Delivering Corporate Governance in Local Government: Framework' published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

## **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

6.1 There are no resource implications arising directly from this report.

## **7.0 RELEVANT RISKS**

7.1 Without robust risk management procedures in place there is a danger that the Council will fail to identify, understand, and monitor key strategic and operational risks. An ineffective and poorly established risk management framework prevents the optimisation and balanced approach between risk taking and control, leading to ineffective assurance and missed opportunities. The consequence of both is that risks are not considered in decision-making which could have serious financial, reputation and resource implications.

7.2 Risk management arrangements for the Council form part of the key controls for the Corporate Risk 18 – Effective Governance.

## **8.0 ENGAGEMENT/CONSULTATION**

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

## **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.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

10.1 The content and/or recommendations contained within this report are expected to:

- Have no impact on emissions of Greenhouse Gases

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

11.1 There are none arising directly from this report.

**REPORT AUTHOR: Helen Turner**  
email: [helenturner@wirral.gov.uk](mailto:helenturner@wirral.gov.uk)

## APPENDICES

Appendix 1 – Corporate Risk Register Summary – September 2021

## BACKGROUND PAPERS

Risk Management Policy  
[The Orange Book \(publishing.service.gov.uk\)](http://publishing.service.gov.uk)

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
Development of the Revised Corporate Risk Register	24 September 2018
Development of the Revised Corporate Risk Register	19 November 2018
Development of the Revised Corporate Risk Register	28 January 2019
Development of the Revised Corporate Risk Register	11 March 2019
Update of the Corporate Risk Register	22 July 2019
Update of the Corporate Risk Register	23 September 2019
Update of the Corporate Risk Management	18th November 2019
Arrangements Corporate Risk Management Update	27th January 2020
Risk Management Update	10th March 2020
Corporate Risk Register Update	16th November 2020
Corporate Risk Management Update	25th January 2021
Corporate Risk Management Update	9th March 2021
Corporate Risk Management Update	5 <sup>th</sup> July 2021

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Wirral Council Plan 2021-26 Thematic Priorities	Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current/Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score Based on DRR scores - to be ratified			Selection of Planned Actions - more detail to be added as Delivery Plans, Directorate Business Plans and associated Risk Registers are finalised.
A thriving and inclusive economy, creating jobs and opportunities for all.	CRR 01	<b>Development and Implementation of the Local Plan 2022-2037</b> Failure to ensure the Council's arrangements for the consultation, publication and implementation of the Local Plan resulting in intervention, a loss of control over future development and missed opportunities to promote economic growth.	Alan Evans	Regulation 18 consultation completed LGA, Planning Officers Society and Planning Advisory Service supporting the work on the Local Plan Local Development Scheme for Wirral includes risk assessment and indicative timetable (latest version 03/10/2020) Members engagement on Draft Local Plan completed Full working Draft Local Plan issued to Statutory Bodies and Duty to Cooperate Partners for comment Draft Statements of Common Ground issued to Duty to Cooperate Partners Ongoing engagement with MHCLG Ongoing engagement with Homes England and LCR CA on funding for strategic brownfield site	2	4	8	Publication of the Local Plan: (Regulation 19) late 2021 Submission to the Secretary of State- early 2022 Indicative date for Local Plan Adoption early 2023
	CRR 02	<b>Regeneration Programme</b> The failure of the major regeneration projects to deliver the anticipated benefits undermines the Council's budgetary position, its economic growth aspirations and public and investor confidence in the authority.	Alan Evans	Projects brought forward within a clear strategic framework reflecting the Borough's Local Plan and providing confidence to investors, funders and developers Strategic Framework allows for enabling infrastructure, skills and business support to be brought forward to underpin major project development Clearly documented legal frameworks and agreements for all regeneration projects Robust business cases, project and programme plans with detailed risk registers, informed through risk workshops, to underpin key decisions Clear lines of project reporting through project groups to the Regeneration and Place Board with supporting structures and monitoring in place Existing relationships in place with key developers – Muse (Wirral Growth Company LLP) and Peel (Wirral Waters)	3	5	15	Investment strategy being developed to support the funding model for the major regeneration projects Public consultation to be carried out to inform development plans A joint Board has been established with the LCR CA and Homes England to advance a programme approach to investment in Wirral growth projects Alternative delivery models are being reviewed to ensure that effective delivery by the council is maximised The development of our Neighbourhood Frameworks continues in order to ensure a co-ordinated and phased approach to regeneration, whilst ensuring strategic alignment across the directorate. The newly established Regen PMO continues to improve and develop our existing project reporting processes. Creation of dedicated Regen Project Directory, with associated RAID logs and RACI charts for each project to feed into the supporting governance structures and reporting flow - by Q3 2021
A clean-energy, sustainable borough, leading the way in tackling the environment crisis.	CRR 03	<b>Climate Emergency Response</b> Failure to respond effectively and proportionately to develop plans/adaptations that may lead to legal challenge, financial damage, reputation damage, increased costs, lack of resilience	Nicki Butterworth	Impact of Covid-19 restrictions - new ways of working and some unforeseen environmental benefits and opportunities to be built upon. Climate Emergency Team created. Launch of the Tree, Woodland and Hedgerow Strategy in 2020. Cool Wirral Partnership's Climate Change Strategy, Cool 2 including a number of climate emergency public events Environment and Climate Emergency Action Group established to oversee delivery of the Environment and Climate Emergency Policy and Action Plan.	2	4	8	Set up of Task & Finish Group - Environment and Climate Emergency Policy Members' Working Group to develop an Environment and Climate Emergency Policy Become a Carbon Literate Organisation - investment in carbon literacy training for the Council's senior leaders and carbon awareness briefings for all staff and members. Amendment of employee development structures including core competences to include carbon literacy as a core requirement.
	CRR 04	<b>Response to a Crisis/Disruptive Incident (both internal and external)</b> Failure to maintain effective response arrangements and plans (and incorporate COVID-19 measures) to react to a disruptive event leaves the Council unable to respond quickly and effectively to an incident, resulting in a major failure in service delivery	Nicki Butterworth / Shaer Halewood	Emergency response structure led by Strategic Co-ordination Group, with close links to a cross-party leaders group. Operational response was led by 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. Governance structures adapted during COVID-19 response to reflect phase - cells stood up/down as appropriate. Role within LCR and MRF cells Updated Community Safety Strategy - key priorities and activity Business Continuity Awareness Week May 2021 session - Manager Micro	3	4	12	Response to COVID-19 Lessons Learnt review Business Continuity Awareness programme - including scenarios for Winter 2021/22

Wirral Council Plan 2021-26 Thematic Priorities	Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current/Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score Based on DRR scores - to be ratified			Selection of Planned Actions - more detail to be added as Delivery Plans, Directorate Business Plans and associated Risk Registers are finalised.
<p>Safe and pleasant communities that our residents are proud of.</p> <p>Healthy and active lives for all, with the right care, at the right time.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 26</p>	CRR 05	<p><b>Ongoing COVID-19 Response - Planning and Increased Cases/Winter Plans</b> Failure to use intelligence effectively leads to an inability to respond effectively to a local outbreak resulting in continuing or wider restrictions, increased infection and mortality rate increases, longer term health risks, key council services unavailable, people (staff and public) at risk, increased costs, government intervention and loss of trust/support</p>	SCG / Julie Webster	<p>Outbreak Management Plan refreshed August 2021 Development and use of Community Champions network - 540 local people have signed up to the programme. Joint working and communications across LCR and neighbouring authorities Work of the Local Outbreak Hub - daily multi-agency meetings are held to review case data and share key information, weekly meetings held to evaluate longer-term themes and issues relating to high risk settings and to proactively provide support where needed. Wirral Covid-19 Testing strategy 2020-22 - deployed five local testing sites across the borough in Liscard, Bebington, Birkenhead, Bidston and Heswall. Mobile testing unit available to visit key sites e.g. manufacturing companies/depots Collaboration with NHS Wirral CCG, and Wirral's Primary Care Networks - supporting the role out of the COVID-19 Vaccination Programme with provision of sites/locations and resource for vaccinations on a mass scale for residents Increased the specialist infection prevention and control team working with care homes.</p>	3	4	12	Engagement Strategy and Action Plan including establishing a black, Asian and minority ethnic engagement group and producing a range of communication materials in suitable formats for our diverse local population
	CRR 06	<p><b>Partnership Working</b> Inability to take advantage of collaborative opportunities locally and nationally, limiting improvement in economic conditions for the community and the Council's funding position</p>	Paul Satoor	Effective close partnership working through COVID-19 response by means of the Merseyside Resilience Forum and the Chief Executive's regular meetings with Health partners.	September 2021 - Risk to be reworked and refocused.			
	CRR 07	<p><b>Significant Safeguarding Incident</b> The Council and its partners do not effectively manage their relevant safeguarding risks, leading to a safeguarding incident, resulting in harm to individuals and/or families, potential legal challenge, resident dissatisfaction and public scrutiny</p>	Graham Hodgkinson / Simone White	<p>Multi-agency Safeguarding Arrangements for Children via Wirral Safeguarding Children Partnership (WSCP) - activity led by the LA, health economy and police including: robust local audit and case review procedures, Section 11 and Section 175 audits of individual agency and school safeguarding arrangements, Scrutiny, publication of policies and guidance, a comprehensive programme of multi-agency training (online since April 2020) including: Working Together, CE, Neglect, Domestic Abuse, Contextual Safeguarding, Early Help. Serious incidents are escalated to Assistant Director Level to ensure that learning and procedures are implemented and followed up. Adoption of the Prevention Framework Close monitoring of referrals and contacts Business continuity contingency plans where lack of capacity as a result of COVID-19 e.g. utilising resources from elsewhere Monitored caseloads, meaning workers can deal with spike in demand</p>	3	4	12	<p>Implementation of recommendations from Adults Safeguarding Board Peer Challenge Review Jan 2020 report including the establishment of a Local Safeguarding Adults Board. WSCP safeguarding leads have approved commissioning standards. Review DASS contracting arrangements and adopt best practice. Strengthen Provider incident reporting - development of protocol, based on NHSE guidance. Commissioners to be updated on new process and provider contracts varied accordingly. Establishment of the Breaking the Cycle programme, encapsulating 8 core projects including: PAUSE, Cradle to Career, DRIVE with outcomes - 3 year programme to 2023 Continue to deliver the new early help model through the design of a new self-help digital tool for families.</p>
	CRR 08	<p><b>Quality &amp; Demand Management in Health and Care Services</b> Failure to improve the quality of health and care services, anticipate demand particularly in the winter period leaving the Council exposed to increased financial pressures in relation to meeting social care assessed need.</p>	Graham Hodgkinson	<p>Implementation of Healthy Wirral Strategy Home First Pathway implemented Social Work services integrated with partners with a section 75 agreement for most services, focus on demand management, early intervention and prevention Continuation of support to the care provider market to support service continuity and quality of provision.</p>	3	4	12	<p>Refresh of Winter Plan Resumption of oversight visits of all care providers on a proportionate basis Weekly NW ADASS Immediate Workforce Pressures Task and Finish Group Vaccination programme - providing packages of tailored support to care homes that have low uptake, with the aim to increase staff coverage. Care and Support Review-to trial new ways of working with people to</p>
	CRR 09	<p><b>Health Inequalities</b> Failure to understand and manage health inequalities leads to increased costs, earlier involvement with and pressure on services and long-term issues for the community</p>	Graham Hodgkinson / Julie Webster	PHAR Annual Report for focus on health inequalities detailing recommendations for all Wirral Partners.	3	5	15	<p>Care and Support Review-to trial new ways of working with people to provide a more personalised response. Assistive Technology Plan-implement a range of technology and digital options to assist people to remain healthy and independent. An increased range of extra care housing. - April 2022 Review and improve the support offer to people at risk of needing hospital care or who are being discharged from hospital.</p>

Wirral Council Plan 2021-26 Thematic Priorities	Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current/Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score Based on DRR scores - to be ratified			<b>Selection of Planned Actions</b> - more detail to be added as Delivery Plans, Directorate Business Plans and associated Risk Registers are finalised.
Brighter futures for all regardless of their background.	CRR 10	<b>Education - School Sufficiency and Placements</b> Failure to secure appropriate and balanced school sufficiency (too many/too few places) impacting on the financial viability of education institutions and resulting in children not able to be educated within their local community, declining performance and poor educational outcomes for children	Simone White	School to School Partnership established giving NLEs and Heads of Teaching Schools strategic responsibility for 'banding' schools. Locality Boards Established to identify and address areas for improvement. Governors have access to appropriate support. Wirral System Leaders Primary place planning review - over 5 years School Improvement Strategy	3	4	12	Influence recruitment drive by sharing intelligence about appropriate skill mix required Progression framework development Transfer between teams policy ASYE Programme improvements DASH System developments Ongoing Primary placed planning review, new controls may be identified and added during reviews. Phase 1 - Birkenhead June 2022
	CRR 11	<b>SEND</b> Failure to appropriately and effectively identify, assess, meet the need and improves outcomes for children and young people with Special Educational Needs and Disabilities resulting in a statement of action from Ofsted, poor school inspection outcomes, children do not reach their full potential and reputational damage for Children's Services and the Council	Simone White / Graham Hodgkinson	SEND Improvement Plan and Self-evaluation co-produced for the last four years - key actions are evaluated regularly through the SEND Operations Group and the SEND Strategic Board reviewing performance and holding to account. External review of provision and recommendations Appointment of Head of SEND and Inclusion Priorities detailed in the SEND Strategy 2020-24 Robust identification and assessment framework in early years, with trained and qualified SEND professionals. Training and development programme for SEND Team	3	4	12	Robust performance management and quality assurance framework Competency framework for EHCP Co-ordinators and EP SEND Sufficiency Strategy development SEND Strategic Board governance review and refresh
	CRR 12	<b>Preventative Activity in Health and Care Services</b> Insufficient time and resource for preventative and upstream activity mean that outcomes for vulnerable people do not improve, resulting in demand for reactive services not reducing, or increasing.	Simone White / Graham Hodgkinson	Close monitoring of referrals and contacts Business continuity contingency plans where lack of capacity as a result of COVID-19 e.g. utilising resources from elsewhere Monitored caseloads, meaning workers can deal with spike in demand	3	4	12	Close workforce monitoring in response to rising COVID-19 cases Trauma-informed practice working group New Early Help Model/Prevention framework
	CRR 13	<b>Impact of COVID on Education</b> Impact of COVID on educational outcomes leads to increasing gap between the borough's disadvantaged children and non-disadvantaged children, poorer long term outcomes for some of the most vulnerable children	Simone White	Appointment of Assistant Director for Education and development of positive relationships with schools through Head of School Effectiveness	3	5	15	School Improvement Strategy

Wirral Council Plan 2021-26 Thematic Priorities	Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current/Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score Based on DRR scores - to be ratified			Selection of Planned Actions - more detail to be added as Delivery Plans, Directorate Business Plans and associated Risk Registers are finalised.
We will be ambitious, professional, customer-focused and accountable	CRR 14	<b>Capitalisation Directive</b> Failure to obtain agreement from MHCLG to progress the Council's request for exceptional financial support in respect of the financial impact of COVID-19, in the form of a capitalisation directive, and obtain requisite approval by HM Treasury (HMT) leads to financial remedial measures that could include: <ul style="list-style-type: none"> <li>• setting an emergency budget</li> <li>• issuing a s. 114 notice</li> <li>• Government intervention</li> </ul>	Shaer Halewood	An initial submission for a capitalisation directive was made in October. Supporting information underwent external validation by LGA, who are providing an independent challenge and critical friend role in supporting the development of the Council's submission and business case, as directed by MHCLG as part of the process. <b>February 2021</b> - offer of 'exceptional financial support' from the Ministry of Housing, Communities and Local Government (MHCLG) July 2021 - CIPFA Review undertaken	3	5	15	Await report and recommendations of CIPFA Review Implement Action Plan resulting from CIPFA/MHCLG External Assurance Review
	CRR 15	<b>Financial Resilience/Management</b> Failure to effectively plan/manage the Council budget and funding leads to poor decisions on service reductions, unplanned efficiencies and in year overspends, resulting in the withdrawal of Council services to communities, government intervention, S114 declaration.	Shaer Halewood	Refreshed Medium Term Financial Plan based on investment and income generation approved at Council in March 2021 Refreshed Financial Resilience Strategy Introduced new layer of review and challenge and scrutiny within Finance to reduce risk - early approach to budget setting with robust business cases as key requirement Continual (not annual) budget setting process with scrutiny and challenge to ensure future business cases for savings proposals are robust and deliverable Robust and rigorous monitoring of budgets and savings plans in year - included in regular performance reporting to committees Scrutiny and challenge to ensure future business cases for savings proposals are robust and deliverable Budget workshops held for Budget Holders MTFSS updated on a quarterly basis and reported to P&R for early intervention and resolution of budget deficits Establishment of a Financial Governance Structure to improve Accountability, Management and Monitoring of Budgets Implementation of new Capital Budget arrangements with revised reporting and monitoring via Investment and Change Board Pension Fund - Triennial valuation ALMFSS./ISS, Asset Allocation, Performance data, Independent Advisors, FSM and lower risk strategies EPS	3	5	15	Financial Sustainability Programme - picking up on consolidated revenue, capital and reserves management and monitoring. Community Wealth Building Strategy to keep wealth in the Borough Develop a funding/investment strategy to identify internal finance pressures and external funding sources to support planned growth projects Identification of savings proposals for 2021 – 2024 to ensure a programme of support could be established early on to ensure these proposals progressed with an escalation process for any issues that may arise. Review of the process for agreeing capital projects and funding to ensure a return on investment and a better link with the revenue budget Policy & Resources and Service Committee budget workshops to discuss potential budget options for consideration once the outcome of the government's comprehensive spending review is known and the Council's financial position for 2021/22 is made clear Review of the process for agreeing capital projects and funding to ensure a return on investment and a better link with the revenue budget
	CRR 16	<b>Non-Compliance with Policies and Procedures</b> Non-compliance with corporate policies and procedures across disciplines such as HR, finance, information, procurement, health & safety, put the reputation of the Council and the health and safety of our staff and residents at risk, and may lead to legal challenge, financial penalty and ultimately loss of life.	Shaer Halewood	Specialist Area Groups in place for key areas e.g. Corporate Governance, People Strategy, Information Governance, Health, Safety and Wellbeing Internal Audit Plan includes areas of financial control, risk and compliance with key areas audited on a more regular basis than others. Targeted training packages rolled out including: Information Management - Information Asset Owners and Administrators, Finance - Budget workshops, Procurement, Political Awareness and Report Writing New initiatives e.g. procurement smart form easier and quicker to complete with a more robust workflow. Director of Resources has written to each Director concerning procurement	2	4	8	Follow-ups by Director of Resources to highlight key areas of non-compliance; including the identification of key repeat 'offenders' Actions from external review of the Schedule of Rates contracts Development of process for Accountability Statements for Directors - to be introduced for 2021/22 linked to performance appraisal
	CRR 17	<b>Cultural Change for an Effective and Efficient Organisation</b> Failure to maintain the cultural changes necessary (due to insufficient capacity or expertise, cultural resistance from staff) leads to difficulties in developing an efficient, effective and long-term financially sustainable organisation resulting in ineffective engagement with partners, unable to deliver on the ambition of the Wirral Plan, perpetuating inefficiencies and preventing required outcomes for the community.	Shaer Halewood	Regular communications - Exec View, Director blogs, Wellbeing newsletters, staff roadshows and Directorate events Staff Forum role as voice of the workforce Manager training including - Manager Micros/Managers Network Staff Check-Ins procedures	2	4	8	Staff Engagement/awareness plan for communication of Wirral Plan and Delivery Plans Communication of new Target Operating Model (TOM) Workforce Planning to align with TOM and Change Programme Development of Learning Experience Platform - beyond eLearning offer.

Wirral Council Plan 2021-26 Thematic Priorities	Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current/Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score Based on DRR scores - to be ratified			Selection of Planned Actions - more detail to be added as Delivery Plans, Directorate Business Plans and associated Risk Registers are finalised.
	CRR 18	<b>Effective Governance</b> Failure to maintain effective corporate governance could result in poor decision-making, malpractice and breach of legislation, leading to regulatory intervention and significant cost, both in financial terms and to the reputation of the Council	Phil McCourt / Shaer Halewood	Internal governance procedures (DMT/ SLT) New Council Constitution (Sept 2020) - including new terms of reference for committees and role of Decision Review Committee Code of Corporate Governance reviewed in line with CIPFA guidelines and aligned with Council policies and procedures Member and Officer Protocols - reviewed Updated Schemes of Delegation to reflect new Constitution Improved Annual Governance Statement process, following CIPFA guidance / best practice review in 2019. Significant issues highlighted and monitored in year. Chief Executive and Director of Resources meet each Director every two months to review finance, HR, procurement, audit and risk performance – linked to Wirral Plan priorities. Appropriate governance arrangements through COVID-19 response, with Group Leader and Leader of Council ratification of decisions and a system to track all decisions made.	2	4	8	Implementation of recommendations from Internal Audit report on LCC Best Value Outcomes and recommendations of External Assurance Review LGA Review planned.
	CRR 19	<b>Health &amp; Safety Management</b> Failure of officers, members or contractors to develop, test or sufficiently adhere to health and safety / compliance policies and procedures leads to an incident or exposure resulting in harm to employees / Members / members of the public, legal challenge and reputational damage	Shaer Halewood	Health and Safety Strategic Group, chaired by Chief Executive, supported by the Health and Safety Steering Group. COVID-19 specific risk assessment procedures implemented including for the remobilisation of services, reviewed by H&S Team and Public Health.	3	5	15	Update of H&S Strategy and Policy - due to P&R Committee Summer 2021 Refresh of H&S subject specific policies. Development of H&S risk framework including Service level risk assessment and profile.
	CRR 20	<b>Cyber Security</b> IT security is insufficient to deter, detect and prevent unauthorised access (internal and external) to IT systems, resulting in loss of data and disruption to Council services.	Shaer Halewood	Technical controls: 1) Endpoint security software, 2) Network firewall 3), Prevention of downloading of unauthorised software Member of NW notification groups/networks to share knowledge on latest incidents. Regular patching and updates programme. National Cyber Security Centre online training package essential for all staff/Members working online. Cyber Security Board created to review security issues and agreed action plan. Specialist training for IT technical experts.	3	5	15	Implement recommendations from Treasury Building Data Centre Internal Audit report. Implement recommendations from Internal Audit report - currently pending. Project to achieve Cyber Essentials+ accreditation by Dec 2021
	CRR 21	<b>Information Management</b> Failure to comply with relevant data and information management legislation which may lead to loss or breach of personal data creating security or reputational risk.	Shaer Halewood	Awareness Training for Information Asset Owners and Administrators Regular update of Information Asset Register - October update to reflect changes to working practices	2	4	8	Project to achieve Cyber Essentials+ accreditation by Dec 2021 Additional staffing resources being made available to work with the Data Protection Officer Continuous review of Information Management policies and procedures to ensure they adequately cover the changes to agile working Proposal to Organisational Development for training (refresher for existing IAO/IAAs) and identification of new IAO/IAA's following restructures/personnel changes
	CRR 22	<b>Digital Infrastructure</b> Quality of Digital infrastructure and systems prevents council from offering/transforming to digital first services, lack of management information/timeliness of data resulting in poor decisions and increased costs.	Shaer Halewood	Role of the Digital Design Authority Digital Programme Smart Business Project for the ERP replacement – procurement complete	2	4	8	Development of Architecture Principals for Applications, Data and Technology against which the Digital Design Authority will ensure new solutions align Development of the Wirral Cloud Security Principles to standardise all requirements for our cloud based systems. Implement recommendations from Treasury Building Data Centre Internal Audit report.

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## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 27 September 2021

<b>REPORT TITLE:</b>	<b>EXTERNAL AUDIT PROGRESS REPORT FOR YEAR ENDING 31 MARCH 2021</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF RESOURCES</b>

### REPORT SUMMARY

The progress and update report from Grant Thornton for the year ended 31st March 2021 is provided as an Appendix to this report.

The report also provides commentary on:

- delivery against audit plan
- update on interim audit work
- sector update

This matter affects all Wards within the Borough. The report is provided for information only and is not a key decision at this stage.

### RECOMMENDATIONS

That Members of the Audit & Governance Committee:

1. Note the update provided by the Council's external auditors.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATIONS**

The Audit Plan sets out the work that the Council's Auditors, Grant Thornton will be carrying out in their statutory audit on the Council's financial statements and arrangements for securing value for money.

### **2.0 OTHER OPTIONS CONSIDERED**

2.1 This report is intended to update Members of the external audit and allow an opportunity to comment.

### **3.0 BACKGROUND INFORMATION**

3.1 Grant Thornton have been appointed as the Council's independent external auditors. Their annual work programme is set in accordance with the Code of Audit Practice under a nationally prescribed and locally determined work.

3.2 The report provides members of the Committee with an update on progress of the external audit; it also includes details of national publications relevant to the Council.

### **4.0 FINANCIAL IMPLICATIONS**

4.1 The audit fees will be met from within the revenue budget.

### **5.0 LEGAL IMPLICATIONS**

5.1 There are no legal implications identified.

### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

6.1 None arising directly from this report.

### **7.0 RELEVANT RISKS**

7.1 None arising directly from this report.

### **8.0 ENGAGEMENT/CONSULTATION**

8.1 The draft unaudited Statement of Accounts for 2020/21 are currently out for public inspection and subject to external audit.

### **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.

**REPORT AUTHOR:** **Diane Grisdale**  
Senior Finance Manager  
email: [dianegrisdale@wirral.gov.uk](mailto:dianegrisdale@wirral.gov.uk)

### APPENDICES

Appendix 1 – External Audit Progress Report for year ending 31 March 2021

### BACKGROUND PAPERS

See appendix 1

### SUBJECT HISTORY (last 3 years)

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management Committee – External Audit Progress Report	10 March 2020
Audit & Risk Management Committee – External Audit Progress Report	28 January 2019
Audit & Risk Management Committee – External Audit Progress Report	28 January 2018

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# Wirral Council Audit Progress Report and Sector Update

Year ending 31 March 2021

27 September 2021  
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

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This paper provides the Audit and Risk Management Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Risk Management Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk) ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at September 2021

## Financial Statements Audit

We undertook our initial planning for the 2020/21 audit in March 2021, and interim audit in April 2021. We began our work on your draft financial statements in July.

In June we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2020/21 financial statements.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. The date by which authorities are required to publish audited financial statements is 30 September.

We have advised MHCLG that it will not be possible to meet these deadlines for the majority of local government clients. For Wirral Council we will report our work in the Audit Findings Report and aim to give our opinion on the financial statements by 30 November 2021.

Our audit is currently in progress and we are on target to meet the 30 November date agreed with the Council.

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline is now no more than three months after the date of the opinion on the financial statements.

Please see page **XX** for further details.

# Progress at July 2021 (cont.)

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim is due to begin in October.

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2020/21 is due to begin in October.

### Meetings

We have continued to hold discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive to discuss the Council's strategic priorities and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, 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 and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit and Risk Management Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p data-bbox="120 408 264 437"><b>Audit Plan</b></p> <p data-bbox="120 456 1317 592">We are required to issue a detailed audit plan to the Audit and Risk Management Committee setting out our proposed approach in order to give an opinion on the Council's 2020/21 financial statements and the Auditor's Annual Report on the Councils Value for Money arrangements.</p>	June 2021	Complete
<p data-bbox="120 619 421 647"><b>Interim Audit Findings</b></p> <p data-bbox="120 667 1294 730">We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	September 2021	Complete
<p data-bbox="120 758 421 786"><b>Audit Findings Report</b></p> <p data-bbox="120 805 1254 869">The Audit Findings Report will be reported to the November Audit and Risk Management Committee.</p>	November 2021	Not yet due
<p data-bbox="120 896 336 925"><b>Auditors Report</b></p> <p data-bbox="120 944 739 976">This is the opinion on your financial statements.</p>	November 2021	Not yet due
<p data-bbox="120 1019 448 1048"><b>Auditor's Annual Report</b></p> <p data-bbox="120 1067 1155 1099">This Report communicates the key issues arising from our Value for Money work.</p>	January 2022	Not yet due

# Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	<b>Work performed</b>	<b>Conclusions and recommendations</b>
<b>Internal audit</b>	We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> </ul>	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
<b>Review of information technology controls</b>	<p>Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.

	<b>Work performed</b>	<b>Conclusions and recommendations</b>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a significant risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
<b>Journal entry controls</b>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>We will undertake detailed testing on journal transactions recorded during the financial year, by extracting 'unusual' entries for further review as part of our planned audit approach and will report these findings in our Audit Findings Report.</p>	Our work has not identified any weaknesses which impact on our audit approach
<b>Value for Money</b>	<p>We have held a series of meetings with members of the Strategic Leadership Team as part of our initial planning to gain an understanding of the arrangements in place within the Council to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We will continue to perform detailed reviews across the areas disclosed on pages 10 and 11 of this report in order to report on the Council's arrangements.</p>	As reported in our Audit Plan, we have identified significant weaknesses in the arrangements for the financial sustainability of the Council and governance arrangements for the Council's interests in its other entities.

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# The new approach to Value for Money

## The nature of value for money work

Section 20 and 21 of the Local Audit and Accountability Act 2014 (the Act), require auditors to be satisfied that the body “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”. The auditor’s work on VFM arrangements is undertaken in accordance with the Code and its supporting statutory guidance. The Comptroller and Auditor General has determined through the 2020 Code and guidance that the key output from local audit work in respect of VFM arrangements is the commentary as reported in the Auditor’s Annual Report. It is therefore not a VFM arrangements ‘conclusion’ or an ‘opinion’ in the same sense as the opinion on the financial statements themselves. The Act and the Code require auditors to consider whether the body has put in place ‘proper arrangements’ for securing VFM. The arrangements that fall within the scope of ‘proper arrangements’ are set out in ‘AGN 03 Auditors’ work on VFM arrangements’, which is issued by the NAO. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria:

## Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services, including how the body:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

## Governance

How the body ensures that it makes informed decisions and properly manages its risks, including how the body:

- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

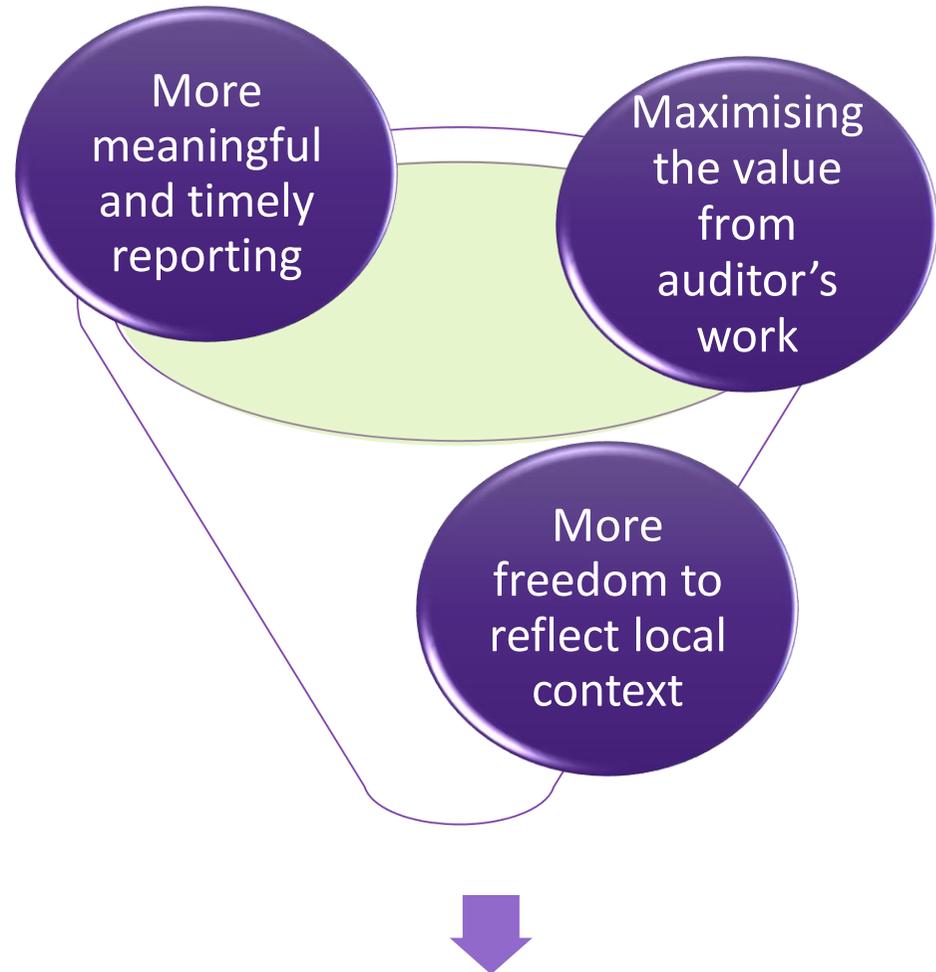
# The new approach to Value for Money

## Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the body evaluates the services it provides to assess performance and identify areas for improvement;
- how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

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**VFM arrangements commentary and recommendations**

# The new approach to Value for Money

**The table below details what will be reported in the Auditor's Annual Report:**

Section of report	Content
Commentary on arrangements	An explanation of the VFM work that has been undertaken during the year, including the risk assessment and any further risk-based work. It will also highlight any significant weaknesses that have been identified and brought to the body's attention. The commentary will allow auditors to better reflect local context and draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself.
Recommendations	Where an auditor concludes that there is a significant weakness in a body's arrangements, they report this to the body and support it with a recommendation for improvement.
Progress in implementing recommendations	Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily.
Use of additional powers	Where an auditor uses additional powers, such as making statutory recommendations or issuing a public interest report, this should be reported in the auditor's annual report.
Opinion on the financial statements	The auditor's annual report also needs to summarise the results of the auditor's work on the financial statements.

**The table below details the three types of recommendations that auditors can make. Auditors may make recommendations at any time during the year.**

Type of recommendation	Definition
Statutory recommendation	Where auditors make written recommendations to the body under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. A recommendation of this type requires the body to discuss and respond publicly to the report.
Key recommendation	Where auditors identify significant weaknesses in a body's arrangements for securing value for money, they have to make recommendations setting out the actions that the body should take to address them
Improvement recommendation	Where auditors do not identify a significant weakness in the body's arrangements, but still wish to make recommendations about how the body's arrangements can be improved

# Insight into accounting for grants in local government financial statements – Grant Thornton

The government has provided a range of financial support packages throughout the COVID-19 pandemic.

We have issued a brief bulletin aimed at helping local government bodies identify the key things they should consider when determining the accounting treatment for these grants in their financial statements for 2020/21.

There are no changes to the accounting treatment for grants as required by the CIPFA Code of Practice on Local Authority Accounting. What has changed, is the extent of additional funding to support the cost of services, to offset other income losses along with grant packages to be paid out to support local business. Local authorities need to consider the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement in 2020/21.

The report highlights the factors to consider, including:

- Where the funding is to be transferred to other parties, is the authority acting as principal or as agent?
- Are there grant conditions outstanding?
- Is the grant a specific or non-specific grant?

Our bulletin provides you with links to further information on the various support packages and summarises features that may be relevant to your judgements as you determine the appropriate accounting treatment.

Local authorities need to demonstrate their judgements on the accounting treatment to be reasonable and soundly based and, where these have a significant effect on the accounts, to ensure they include sufficient disclosures to meet the requirements of IAS 1:122.

Please ask your audit manager for the full report:



# What can be learned from Public Interest Reports? – Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

[Lessons from recent Public Interest Reports | Grant Thornton](#)

# Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

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The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \[grantthornton.co.uk\]](https://www.grantthornton.co.uk/transparency-report-2020)

# Local government finance in the pandemic – National Audit Office

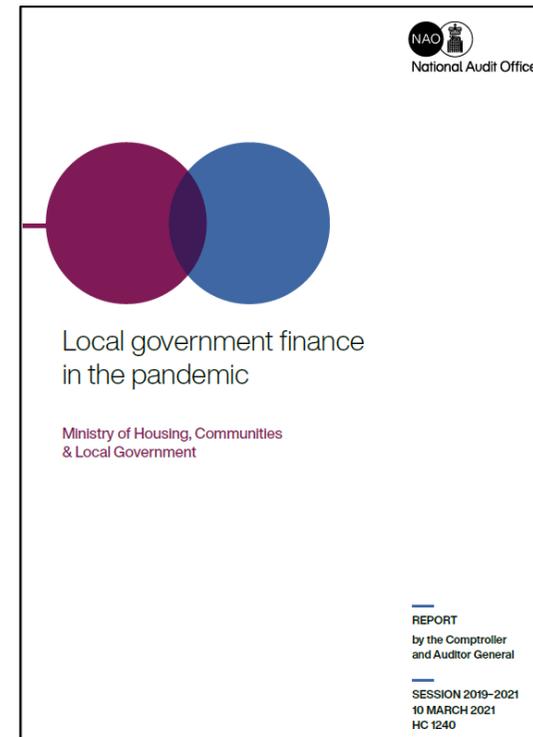
The National Audit Office (NAO) report, published in March, notes “The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities’ finances, which in many cases were already under strain going into the pandemic.”

The NAO report examines if the Department’s approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes “Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department’s successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.”

The NAO report found that “the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m.”



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office \(NAO\) Report](#)

# Local authority Covid-19 pressures - MHCLG

Outturn figures from the Ministry for Housing, Communities and Local Government (MHCLG) show that local authorities in England reported additional cost pressures of £12.8bn relating to Covid-19 in 2020-21. Overall, local authorities spent £7.2bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

**Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21)**

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Adult Social Care – total	0.473	1,254.880	848.656	663.404	413.842	<b>3,181.254</b>
Children's social care - total (excluding SEND)	0.000	94.933	131.127	89.799	62.987	<b>378.846</b>
Housing - total (including homelessness services) excluding HRA	63.129	5.254	74.949	42.281	112.971	<b>298.584</b>
Environmental and regulatory services - total	33.564	68.097	67.512	66.704	63.556	<b>299.433</b>
Finance & corporate services - total	48.222	53.445	83.984	76.923	78.284	<b>340.858</b>
All other service areas not listed in rows above	184.550	634.578	584.924	564.737	395.137	<b>2,363.926</b>
<b>Total</b>	<b>329.937</b>	<b>2,111.187</b>	<b>1,791.153</b>	<b>1,503.848</b>	<b>1,126.777</b>	<b>6,862.902</b>



The figures are available in full here:  
<https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

**Income losses due to COVID-19 by class and source of income (£ millions) (2020-21)**

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Business rates	276.498	0.000	194.192	207.351	537.667	<b>1,215.708</b>
Council tax	399.037	0.000	217.633	191.219	232.727	<b>1,040.616</b>
Sales fees and charges	516.426	194.923	553.907	396.745	475.728	<b>2,137.728</b>
Commercial income	82.448	24.159	120.629	204.211	52.154	<b>483.600</b>
Other	33.494	39.947	27.163	53.664	45.166	<b>199.435</b>
<b>Total</b>	<b>1,307.903</b>	<b>259.029</b>	<b>1,113.524</b>	<b>1,053.190</b>	<b>1,343.441</b>	<b>5,077.087</b>

# CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position.

The Index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over the past five seven years, public consultation and technical stakeholder engagement.

Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

CIPFA note "The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0>

# Good practice in annual reporting – National Audit Office

The National Audit Office (NAO) state that the guide, launched in February, “Sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

The NAO also state that the guide “provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.”

However, The NAO observe “Done well, reporting in the public sector enables the public and Parliament to understand – with ease and confidence – an organisation’s strategy and the risks it faces, how much taxpayers’ money has been spent and on what, and what has been achieved as a result.”

Further, the NAO note “The significant impacts of the pandemic emerged in the UK in mid-March 2020. This means that, for many organisations, the reporting impact will be greater in 2020-21 than in the prior year. Transparent annual reporting will help stakeholders understand the impact of COVID-19 on an organisation’s strategy, plans and operational and financial performance.”



The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>

# Government response to Redmond review – MHCLG

Government has published an update on the Ministry of Housing, Communities & Local Government response to Sir Tony Redmond’s independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

The MHCLG press release states “The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers.

The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

In the immediate term, MHCLG will set up and chair a Liaison Committee, which will comprise senior stakeholders across the sector that will oversee the governance of the new audit arrangements and ensure they are operating effectively.”

The press release goes on to state the “measures finalise the government’s response to Sir Tony Redmond’s independent review into local audit, carried out last year.

The government has already announced £15 million to support councils with additional costs in audit fees, and recently consulted on the distribution of this funding. Government is also consulting on improving flexibility on audit fee setting and has extended the deadline for when councils must publish their audited accounts.



The press release can be found here:

<https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response>

# 2019/20 audited accounts – Public Sector Audit Appointments

In December 2020 Public Sector Audit Appointments (PSAA) published figures relating to the audit of 2019/20 local authority financial statements.

PSAA report “Audit arrangements in local councils, police, fire and other local government bodies are continuing to exhibit signs of stress and difficulty. In the latest audit round, focusing on 2019/20 financial statements and value for money arrangements, fewer than 50% of bodies’ audits were completed by the revised target of 30 November.

Figures compiled by PSAA, the organisation responsible for appointing auditors to 478 local bodies, reveal that 55% (265) of audit opinions were not issued by 30 November. This is a further deterioration on 2018/19 audits when 43% of opinions (210 out of 486) were delayed beyond the then target timetable of 31 July.”

By 30 November, Grant Thornton had signed 113/208 audits (a 55% completion rate), meaning that only 45% of audit opinions were not signed by 30 November, compared to the 55% all firms average.

PSAA go on to note “This year’s timetable has been deliberately eased by Ministers in recognition of the underlying pressures on the audit process and the significant added complications arising from the Covid-19 pandemic. The pandemic has posed practical challenges for bodies in producing accounts and working papers, and for auditors to carry out their testing. Both sets of staff have had to work remotely throughout the period, and the second national lockdown came at a critical point in the cycle.

Questions and concerns about the potential implications of the pandemic for some bodies have meant that both finance staff and auditors have needed to pay particular attention to the financial position of each entity. Additionally, following a series of increasingly challenging regulatory reviews, auditors have arguably been more focused than ever on their professional duty to give their opinion only when they are satisfied that they have sufficient assurance.”



The news article can be found here:

[News release: 2019/20 audited accounts – PSAA](#)

# Consultation on 2023-24 audit appointments – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) is consulting on the Draft prospectus for 2023 and beyond.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
- establishing arrangements that are able to evolve in response to changes to the local audit framework.”

The plans include proposals to adjust the procurement ratio between quality and costs from an equal 50:50 to 80:20, as well as trying to bring new suppliers in to the market.

The consultation on the PSAA’s proposals closes on 8 July.



The news article can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/prospectus-2023-and-beyond/draft-prospectus-for-2023-and-beyond/page/7/>

# Councils given power to build more homes for first time buyers and for social rent – MHCLG

The Ministry of Housing, Communities & Local Government (MHCLG) has announced that councils in England will have more freedom on how they spend the money from homes sold through Right to Buy to help them build the homes needed in their communities.

The MHCLG press release states the “package will make it easier for councils to fund homes using Right to Buy receipts, including homes for social rent, and give them greater flexibility over the types of homes they provide to reflect the needs of their communities.

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It will also give councils more time to use receipts and to develop ambitious building programmes. The government wants homes supplied using Right to Buy receipts to be the best value for money, and to add to overall housing supply, to help towards delivering 300,000 new homes a year across England by the mid-2020s.”

The press release goes on to note “New measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.”



The press release can be found here:

<https://www.gov.uk/government/news/councils-given-power-to-build-more-homes-for-first-time-buyers-and-for-social-rent>



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## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 27<sup>th</sup> September 2021

<b>REPORT TITLE:</b>	<b>FINANCIAL SUSTAINABILITY - COMPARISON WITH OTHER LOCAL AUTHORITIES</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF RESOURCES (SECTION 151 OFFICER)</b>

### REPORT SUMMARY

A review of the financial position and governance of Wirral has been undertaken following a number of Councils issuing Section 114 notices and receiving Public Interest Reports (PIR) from their external auditors, the Councils which the circumstances and financial sustainability are reviewed in this paper are Croydon Council, Nottingham City Council and Slough Borough Council. This report sets out their PIR and compares them with Wirral's financial position and governance alongside any lessons learnt. Wirral has some similarities to these Councils and the concerns raised by the external auditors are being addressed and are set out in this report.

### RECOMMENDATION

The Audit and Risk Management Committee is recommended to note and comment on the contents of the report, lessons learnt and actions. To review the lessons learnt and how Wirral is ensuring it moves to a more financial sustainable position.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 This report ensures Audit Risk and Management Committee is provided with sufficient information to keep the governance and financial arrangements of Wirral Council under review, in light of other Councils financial failings. To ensure members of Audit and Risk Management Committee have an opportunity to comment on the comparison of authorities and to comment on lessons learnt to improve practices and to avoid the same experiences in other Councils occurring in Wirral.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 This report is for information and comment and the Committee could choose not to comment on issues being borne out in other Councils, however this is not recommended.

### **3.0 BACKGROUND INFORMATION**

- 3.1 Under the Local Government Act 1988, a Chief Finance Officer (CFO) has responsibility to issue a s114 notice where in their judgement a Local Authority is unable to set or achieve a balanced budget. This 'triggers' a sequence of events, within set timeframes, leading to the suspension of any further expenditure unless authorised by the CFO.
- 3.2 In the wake of Covid-19, the Chartered Institute of Public Finance and Accountancy (CIPFA) has issued amendments to the guidelines to allow Councils under budgetary pressure, as a result of the pandemic, the time and space to explore alternatives to freezing spending via issuing a s114 notice, this included informal discussions to be held with government via the Ministry of Communities and Local Government (MHCLG) without the assumption that a s114 notice will be issued.
- 3.3 A number of local authorities were issued with Public Interest Reports (PIR) by their external auditors and have either before the PIR or subsequently then issued s114 notices for varying reasons. In 2020 and 2021 two authorities Croydon and Slough along with Nottingham in 2019 all declared s114 notices and received PIR, which are explained further in para 3.8 of this report.
- 3.4 It is important to note that Wirral Council has not received a PIR or issued a s114 but did receive by their external auditors a qualified adverse conclusion in respect of financial planning and sustainability as part of the Annual Audit Letter for the year ending 31 March 2020. It is noted that along with other local authorities (see appendix 3) Wirral secured a capitalisation directive for 2020/21 'not exceeding' £9m and a conditional offer of support for 2021/22 of £10.7m. This financial support has helped in certain circumstances Councils from issuing s114 notices. By securing the capitalisation directive it allows the Council (on an exceptional basis) to treat revenue costs as capital costs (funded either from borrowing or capital receipts).
- 3.5 For further background, the Institute for Fiscal Studies published a report in 2020, with information from the financial risk and resilience of different Councils and by the

Local Government Association (LGA) on the impact of pandemic crisis. It was noted that the public health and economic effects of the pandemic are creating a perfect storm for Council's finances, simultaneously increasing spending and reducing income. The full report is available in the background papers. Although significant one-off financial support has been funnelled through local authorities to support expenses, the medium and longer-term financial impact is difficult to measure as there is significant variation in forecast pressures across local authorities.

3.6 The financial planning for future years in such an environment is extremely difficult, with considerable uncertainty on the length/severity of any further restrictions that may be required to contain the spread of the pandemic. A difficult medium-term situation has been further compounded by the publication of a Local Government Finance Settlement for 2021/22 only (rather than the expected Comprehensive Spending Review i.e. multi-year settlement) and confirmation of the deferral of:

- Fair Funding Review
- Business Rates Review

### 3.7 **S114 Notice and Public Interest Report**

Within the Local Government Finance Act 1988, Section 114 (3) dictates that: "The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure".

In general terms this means that for Local Government, it is the Chief Finance Officer or Section 151 officer who has the role under law of being the most senior financial advisor to the wider Council's leadership on its financial plans. Uniquely across the public sector however, the CFO also has the power and responsibility to legally suspend spending for a period of time if they judge the Council does not have a balanced budget or the imminent prospect of one.

3.7.1 When a s114 notice is issued it means that no new expenditure is permitted, with the exception of that funding statutory services, including safeguarding vulnerable people, however existing commitments and contracts will continue to be honoured.

Council officers must therefore carry out their duties in line with contractual obligations and to acceptable standards, while being aware of the financial situation. Any spending that is not essential or which can be postponed should not take place and essential spend will be monitored.

The only allowable expenditure permitted under an emergency protocol would include the following categories:

- existing staff payroll and pension costs.
- expenditure on goods and services which have already been received.
- expenditure required to deliver the council's provision of statutory services at a minimum possible level.
- urgent expenditure required to safeguard vulnerable citizens.

- expenditure required through existing legal agreements and contracts.
- expenditure funded through ring-fenced grants.
- expenditure necessary to achieve value for money and / or mitigate additional in year costs.

Councillors have 21 days from the issue of a Section 114 notice to discuss the implications at a Full Council meeting.

3.7.2 A public interest report is issued by the external auditors when under the Local Audit and Accountability Act 2014 the external auditors believe it is in the public interest to use these powers to make written recommendations regarding the arrangements for securing economy, efficiency and effectiveness of the Councils resources. These powers also allow the external auditors powers to apply to the Court for a declaration that an item is contrary to law, and to give electors the opportunity to raise questions about the Councils accounts or raise objections.

### 3.8 Comparison and Lessons Learnt

3.8.1 Where local authorities are experiencing significant financial pressures resulting from both the pandemic and deteriorating financial resilience, Councils have sought financial support through capitalisation directives for financial years 2020/21 and/or 2021/22. A degree of commonality is evident in some areas, and will be common for most local authorities, but there are also financial pressures that are more specific to each locality. These are explored below (based on a review of available public information):

The table below sets out a comparison of the key elements of the Public Interest Reports issued comparing the financial and governance position of Wirral Council, it is important to make note that no Public Interest Report or s114 has been issued for or by Wirral Council.

We have concluded that comparing Wirral's financial and governance position with these three Councils there are elements of similarity, however, the most significant failings of these Councils are not reflected in Wirral, such as over reliance of investment/commercial income, significant borrowing for group entities, poor financial controls in statutory reporting.

The outlying factor similar in all the Councils including Wirral, is the deterioration of reserves and our relatively static general fund position in recent years, but again for different reasons. A further factor for Wirral is the delay to the significant organisational savings planned for 2020/21, where resource effort was reassigned to meet the pandemic response and the uncompensated element of Sales Fees and Charges income losses as a result of services being closed.

Wirral is seeking to address these through improved budget planning, greater member involvement in budget planning, stronger effective decision making through the Committee system and further improved governance around financial controls. It is important to note that the actions being taken by Wirral to further strengthen our financial position over a period of time is progressing well. Furthermore, there is a strong Audit, Risk and Management Committee that scrutinises and challenges

internal audit findings, financial governance and controls, including the risks facing the authority.

The Council in June presented to the Policy and Resources Committee its proposal for the delivery of the budget planning and monitoring process, this will ensure the Council is not exposed to late budget planning issues. This process has been radically changed from previous years to ensure a number of critical stages are introduced or taken much earlier in the budget planning process and these include:

1. Each committee is accountable for identifying, developing and agreeing saving proposals to ensure a balanced budget.
2. Budget consultation will start early.
3. The Medium Term Financial Plan and Medium Term Financial Strategy will be set out early to coincide with the budget process.
4. Committee workshops will be set up from mid Summer to early Autumn to consider recommendations, identify savings, alternative savings and pressures.

Below are the comparisons with other Councils.

Council	Finding from Public Interest Reports	Wirral (Comparison and Update)
Slough	<ol style="list-style-type: none"> <li>1. Internal control deficiencies were significantly contributing to the failure of the financial control of the Council over a number of years.</li> <li>2. Insufficient skills and capacity to prepare and produce reliable financial statements and working papers. See para 3.8.3 for further details.</li> <li>3. Concerns about the financial sustainability.</li> <li>4. Concerns regarding the level of reserves.</li> <li>5. Weaknesses in financial governance arrangements, monitoring and control in relation to Group entities.</li> </ol>	<ol style="list-style-type: none"> <li>1. No internal deficiencies are noted and work in recent years has/is moving the authority toward greater control and improved governance.</li> <li>2. Wirral Council has a good track record and recently significantly improved since 2020 with a specific finance function tasked with the production of the accounts and an experienced Senior Finance Manager appointed.</li> <li>3. External auditors provided a unqualified opinion on the financial statements, however they did issue qualified adverse conclusion in respect of financial planning and sustainability.</li> <li>4. Concerns have been raised by the external auditors as to the level of reserves and the need to build these and reduce the use of one-off reserves to fund the budget. In the 21/22 budget there is no planned use of one-off reserves.</li> <li>5. Stakeholder meetings are held, and this is an area where improvements are required,</li> </ol>

Council	Finding from Public Interest Reports	Wirral (Comparison and Update)
	<p>6. Lowest levels of earmarked reserves nationally</p>	<p>support for entities during Covid has been on-going.</p> <p>6. The level of reserves of Wirral are six times higher that of Slough at £42.8m at the end of March 2021.</p>
Croydon	<p>1. Deteriorating financial resilience over a number of years and due to Covid-19 this further increased in 2020/21. They commented on 'collective corporate blindness' to the seriousness of the financial position and repeated failed attempts to tackle increased spending.</p> <p>2. Significant investments of £545m, insufficient knowledge/expertise in these areas and potential risks associated with the investments. This included £200m loan to its own development company.</p> <p>3. Significant financial pressures on the Adult and Children's Social Care (following a critical Ofsted Report) with a failure to exercise sufficient financial control with the resultant overspends.</p> <p>4. Concerns raised by the external auditors and their recommendations for both 2017/18 and 2018/19 were not implemented and the financial position further deteriorated. Adverse Value for Money conclusions were issued.</p> <p>5. The level of reserves held by the authority were unsustainable, the lowest level of all London Boroughs.</p> <p>6. Investing in activities where they have no experience and they subsequently failed at a cost of £30m.</p>	<p>1. Wirral has been facing deteriorating financial reserves in recent years and work is underway to ensure we balance the budgets year on year, have improved budget planning and monitoring in place. Covid significantly impacted the Council and is no different to any other Council in the Country for this specific issue.</p> <p>2. Wirral does not have significant investment in Council created entities at the same level of liability as Croydon and the liabilities for the entities at the end of March 2021 (excluding pension liabilities) was in the region of £2.3m</p> <p>3. All Councils are experiencing pressures in Childrens and Adult services equally. In a Ofsted report in 2016, Wirral was required to investment from the transformation reserves between 2016 to 2019 £20.9m.</p> <p>4. Recommendations from external auditors are taken seriously and implemented as quickly as possible.</p> <p>5. Wirral's level of reserves are roughly double that of Croydon at £42.8m at the end of March 2021.</p> <p>6. Wirral investment in Wirral Growth Company is primarily Capital investment and should be fully returned by the forward funder once in place. This is closely monitored.</p>

Council	Finding from Public Interest Reports	Wirral (Comparison and Update)
	7. Insufficient rigour and control of Council established entities and no significant return received.	7. Stakeholder meetings are held and this is probably a area were improvements are required and consideration of experience of Councillors and Officers when they are board members.
Nottingham	<p>1. Losses of group company Robin Hood Energy (RHE) of £34.4m</p> <p>2. Increased internal loans to RHE</p> <p>3. RHE failing due to number of factors deemed 'institutional blindness' by the auditors.</p> <ol style="list-style-type: none"> <li>Market expertise</li> <li>Impact on Council position</li> <li>Lack of appreciation of risks</li> <li>Lack of clarity of governance and roles</li> </ol> <p>Rapid Review Summary below:</p> <p>4. Failed to act on warning by auditors and Section 151 Officer to manage budgets. Not taking advice and action of S151 Officer.</p> <p>5. Capital programmed relatively uncontrolled</p> <p>6. Pursued a strategy of commercialisation without understanding the risks and implications.</p> <p>7. Criticism of Councillors level of experience and skills when appointed to company boards.</p>	<p>1. Losses of a group company is estimated at 31 March 2021 to be £5.4m of which £2.3m is Wirral liability as the remainder is shared with Cheshire West.</p> <p>2. Loans to group companies are closely monitored and risk fully recognised the accounts at the end of March 2021.</p> <p>3. Section 151 Officer is clear about the consequences of not balancing the budgets and significant work is on going to ensure Councillors and Committees make effective and timely decisions. Failure to do this will lead to an unbalanced and ineffective delivery of essential services.</p> <p>4. Commercial portfolio of the Council is relatively small and expert advise is sought prior to entering into any major investments. It is worthy of note all investments carry risk.</p> <p>5. The Wirral capital programme is managed through the Capital Programme Board who sit monthly and only approved projects are taken forward.</p>

3.8.2 The latest position on capitalisation directions that have been issued by the Government is set out in Appendix 3. A total of 10 local authorities have been granted Capitalisation Directives, with a financial value of £153m in 2020/21 and £138m in 2021/22. The vast majority of local authorities in England have not applied for short term, exceptional financial support.

3.8.3 Slough – The Councils auditors issued a PIR in May 2021 where the internal control deficiencies were significantly contributing to the failure of the financial control of the Council along with concerns about the governance of its groups companies and

partnerships. These weaknesses had been occurring over a number of years. The following were reported by Grant Thornton:

- Poor quality and incomplete financial statements, including working papers
- Lack of internal audit trail of financial systems
- No critical review of accounts prior draft accounts being published
- Lack of routine control account reconciliations
- Inadequate maintenance of fixed asset register
- Poor governance, oversight and reporting of group accounts and relationships
- Lowest level of Earmarked reserves nationally
- Group company/partnerships accounts not fully audited

3.8.4 The following recommendations are reflective of Wirral’s financial and governance position. Officers have identified a number of recommendations from the comparison above, that need to be addressed urgently. These recommendations also consolidate some of the issues raised by the Councils external auditors, Grant Thornton, under Value for Money, in their audit findings report presented to the Committee in January 2021. The table below is a summary of proposed actions for Officers and members to deliver.

Ref#	Recommendation from Comparison	Action
1	Reserves are low and need to be increased. Review and increase the level of reserves (general fund and earmarked).	To increase reserves in the 22/23 budget. Set out in the MTFS a plan for increasing over the next five years.
2	Lack of capacity in finance to meet demand is leading to delays in business support.	Review current staffing and expertise and recruit to bring additional capacity into specific areas of finance.
3	Concerns over the financial sustainability of the authority to be reviewed.	Produce a pre-budget report and MTFS by October where clear requirements to deliver a balanced budget will be set out.
4	Ensure greater financial awareness and the business delivery of stakeholders on Council owned boards to ensure expertise and decision making is appropriate.	To review stakeholder and experience, provide training and appoint a dedicated Business Partner to work with group companies and stakeholders.
5	Review capital programme to ensure relevant and financially sustainable	Wider review of the capital programmes, policy and procedures including governance.
6	Review the member training programme for P&R members.	Deliver annual training programme to P&R.

### 3.9 Financial table of comparisons at 31/03/20

The table below draws the key reserves that should be viewed when looking at the financial sustainability of an authority to allow members to compare Wirral with the three Councils identified in this report.

Slough Borough Council\* have not published their draft accounts for 2019/20 and the information below is from a report issued on 6 July by the Council and Northamptonshire Council have not reported the Dedicated Schools Grant position.

Wirral Council's external Annual Audit Letter gave a qualified adverse conclusion in respect of financial planning and sustainability. When comparing with the two authorities who have issued s114 (Croydon and Northampton) they have also been granted capitalisation directions from MHCLG, Wirral's Earmarked reserves and General Fund are significantly higher, albeit, low in comparison to other authorities of a similar size.

Council	Public Interest Report issued	Earmarked reserves (exclude DSG and Covid) £m	General fund Surplus/(deficit) £m	Deficit DSG £m
Croydon	Yes	23.6	7.5	-14.5
Nottingham	Yes	28.5	4.0	
Slough *	Yes	7.5	-96	-43 by 2025
Wirral	No	42.8	10.7	-1.3

### 3.10 Governance and Management Matters

3.10.1 As mentioned all three Councils have been subject to Public Interest Reports under Section 24 of the Local Audit and Accountability Act 2014.

3.10.2 The publication of a Public Interest Report (PIR), and or a s114 Notice is a sign that political and managerial leadership has failed and is not capable of listening and acting. These events could be avoided if authorities take the necessary corrective action that is in their power beforehand.

3.10.3 A Rapid Review usually follows a PIR, and this seeks to provide assurance to the Secretary of State on the governance, commercial and investment issues within the PIR, and often provides a series of recommendation to rectify these issues.

3.10.4 An extract of the rapid review for Croydon, Nottingham and Slough Council's can be found in the appendices and the full reports are accessible in the background papers, however there are some common themes identified across the two Councils.

- Governance
- Leadership

- Financial Management
- Capacity and/or capability to improve

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 This is a report for information only and there are no financial implications arising.

#### **5.0 LEGAL IMPLICATIONS**

5.1 This is a report for information only and there are no legal implications arising. Recent changes to guidance around the issuing of s114 notices means that Chief Finance Officers must now first discuss their financial position with MHCLG in order to explore what further options and/or financial assistance may be available.

#### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

6.1 This is a report for information only and there are no resource implications arising.

#### **7.0 RELEVANT RISKS**

7.1 This is a report for information only and there are no risk implications arising.

#### **8.0 ENGAGEMENT/CONSULTATION**

8.1 This is a report for information only and there is no requirement to consult with stakeholders.

#### **9.0 EQUALITY IMPLICATIONS**

9.1 This is a report for information only and there are no equality implications arising.

#### **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

10.1 This is a report for information only and there are no environment and climate implications arising.

**REPORT AUTHOR:** **Diane Grisdale**  
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#### **APPENDICES**

Appendix 1 – Rapid Review Extract, Nottingham City Council

Appendix 2 – Rapid Review Extract, Croydon Council

Appendix 3 – Local Authorities in receipt of a Capitalisation Directive

## BACKGROUND PAPERS

[Report in the Public Interest concerning the Council's governance arrangements for Robin Hood Energy Ltd \(nottinghamcity.gov.uk\)](#)

[Microsoft Word - Report in the Public Interest - London Borough of Croydon](#)

[Blank \(slough.gov.uk\)](#)

- [Council announces changes to financial management – Slough Borough Council](#)
- [London Borough of Croydon: rapid review - GOV.UK \(www.gov.uk\)](#)
- [Nottingham City Council: rapid review - GOV.UK \(www.gov.uk\)](#)
- [Northamptonshire County Council: lessons learned report - GOV.UK \(www.gov.uk\)](#)

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Not applicable – New Report	





## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 27 September 2021

<b>REPORT TITLE:</b>	<b>WHISTLEBLOWING POLICY</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF LAW AND GOVERNANCE (MONITORING OFFICER)</b>

### REPORT SUMMARY

The Council's new Whistleblowing Policy was approved by the Constitution and Standards Committee on 24 February 2021 and further to the resolution of that Committee this report refers the Whistleblowing Policy to Audit & Risk Management Committee for information and seeks to update Members on the steps being taken in respect of the implementation of the Policy.

### RECOMMENDATIONS

That the Audit and Risk Management Committee:

1. Note the contents of the Whistleblowing Policy.
2. Provide any comments they have in respect of the Policy to the Constitution and Standards Committee.
3. Endorse the steps being taken to implement and raise awareness in respect of the Policy.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 To provide Members with assurance that concerns raised by workers in respect of possible fraud, danger or malpractice are appropriately managed.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 Not to have a whistleblowing policy and procedure is not an option if the Council wish to comply with the requirements of the Employment Rights Act 1996 and the Public Interest Disclosure Act 1998 and align its practices with national best practice.

### **3.0 BACKGROUND INFORMATION**

- 3.1 The Council's Constitution and Standards Committee approved the current Whistleblowing Policy on 24 February 2021 and resolved that the Policy be referred to Audit & Risk Management Committee for information.
- 3.2 Although the Constitution and Standards Committee are responsible for producing and approving the Council's Whistleblowing Policy, it is the role of this Committee to oversee its operation, and in particular as set out in its Terms of Reference, "to be appraised of any steps arising from Whistleblowing investigations and to ensure appropriate actions are being taken and reported".
- 3.3 The Whistleblowing Policy and procedure (attached at Appendix 1) outlines the legal obligations the council is under pursuant to the Employment Rights Act 1996, as amended by the Public Interest Disclosure Act 1998. The Policy provides information, guidance and a procedure by which a "worker" (a term that covers council employees and former employees, contractors and agency workers) can make a "protected disclosure" – a "whistle blow".
- 3.4 A "protected disclosure" is made where a worker raises concerns, which in the reasonable belief of the worker are in the public interest, and which tend to show:
- 3.4.1 That a crime has been committed, is being committed, or is likely to be committed.
  - 3.4.2 That a person has failed, is failing, or is likely to fail to comply with any legal obligation to which he or she is subject – including contractors providing goods and services on behalf of the council.
  - 3.4.3 That a miscarriage of justice has occurred, is occurring, or is likely to occur.
  - 3.4.4 That the health and safety of an individual has been, is being, or is likely to be endangered.
  - 3.4.5 That the environment has been, is being or is likely to be damaged.
  - 3.4.6 That information tending to show any of the above has been concealed or is likely to be deliberately concealed.

- 3.5 A “protected disclosure” can be made by a number of methods under the Policy, namely, completion of a confidential reporting form, via the individuals line manager, a Designated Officer, or a relevant Prescribed Regulatory Body. The details of the whistleblower remain confidential however the individual can make a “protected disclosure” anonymously.
- 3.6 Workers who make a “protected disclosure” have the legal right not to be subjected to any detriment by any act, or any deliberate failure to act, by his employer done on the ground that the worker has made a protected disclosure. Any employee who does suffer detrimental treatment as a result of making a “protected disclosure” will be able to bring a claim against the Council for a breach of employment rights.
- 3.7 The Council, being the employer, may also be vicariously liable for any mistreatment the worker receives from others as a result of having made a disclosure. An employer is also prevented from seeking to impose a contractual term that prevents a worker blowing a whistle, for example in a “non-disclosure agreement”.
- 3.8 Not all disclosures will be protected. The worker has to have a reasonable belief that the disclosure is made “in the public interest”.
- 3.9 A number of steps are being taken to implement the new Policy and bring it to the attention of the Council workforce, agency workers and contractors
- 3.10 The new policy has been placed on a dedicated Council intranet page to which all employees have access  
(<https://wirralcouncil.sharepoint.com/sites/people/SitePages/Whistleblowing.aspx>).
- 3.11 Refresher Training is to be arranged for Designated Officers and other officers involved in managing the procedure set out in the Policy. This training will be arranged through the Council’s existing subscription to PROTECT which is the UK’s whistleblowing charity whose aim is to stop harm by encouraging safe whistleblowing and are referred to in the policy. They provide a free, confidential advice line for Whistleblowers. They also work with organisations supporting, advising and training teams on improving their speak up arrangements.
- 3.12 An online training module is being developed by the Organisational Development Team to be included on the Council’s ‘We Learn’ e-learning training system, to be launched alongside an employee wide communications and awareness raising programme. This programme of implementation, training and awareness raising is being overseen by the Whistleblowing Board consisting of the Assistant Director: Human Resources and Organisational Development, the Head of Legal Services & Deputy Monitoring Officer, and Chief Internal Auditor.
- 3.13 In order to ensure appropriate Committee oversight, the Whistleblowing Policy requires a quarterly report to be prepared by the Whistleblowing Board for the Audit & Risk Management Committee. The purpose of this report is to communicate:
1. The number and nature of whistleblowing concerns raised in the municipal year; and
  2. That the investigations are being effectively monitored / progressed

3.14 The first of such reports will be brought to the Committee for its next meeting scheduled for 30 November 2021.

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 There are none arising directly from this report.

#### **5.0 LEGAL IMPLICATIONS**

5.1 The legal implications are outlined in paragraphs 3.3 to 3.8 above.

#### **6.0 RESOURCE IMPLICATIONS: ICT; STAFFING AND ASSETS**

6.1 There are none arising directly from this report.

#### **7.0 RELEVANT RISKS**

7.1 That legal requirements and best practice are not complied with.

7.2 That concerns are not communicated and consequently remain unidentified by the Council resulting in financial loss or prosecution by regulatory authorities.

7.3 That failing to identify and respond to a whistleblowing concern may result in a reputational risk for the Council.

#### **8.0 ENGAGEMENT / CONSULTATION**

8.1 Relevant Officers, the trade unions, PROTECT, and this Committee were consulted in the production of the new Policy prior to being submitted to the Constitution and Standards Committee for approval.

#### **9.0 EQUALITIES 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 Equality implications were considered and developed as part of the development of the new Whistleblowing Policy prior to submission to the Constitution and Standards Committee for approval.

9.3 The Whistleblowing Policy will allow protected disclosures to be made where there is a failure by the Council, or any contractor providing goods and services on behalf of the Council, to comply with the Council's equality duties

9.4 An Equality Impact Assessment has been carried out in order to ensure equality and the necessary protection for anyone engaging in the whistleblowing process which can be found at <https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments>.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

10.1 The Whistleblowing Policy will allow protected disclosures to be made where the actions of the Council are or are likely to cause damage to the environment, therefore allowing issues and concerns to be highlighted and dealt with in a timely manner.

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

11.1 The Whistleblowing Policy will serve to ensure the Council, its finances and service provision are adequately protected from possible fraud or malpractice and are appropriately managed to aid the advancement of economic, social and environmental justice for all residents.

**REPORT AUTHOR:** Paul Martin  
Principal Lawyer: Litigation & Governance  
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Email: [paulmartin@wirral.gov.uk](mailto:paulmartin@wirral.gov.uk)

## **APPENDICES**

Appendix 1 – Whistleblowing Policy 2021

## **BACKGROUND PAPERS**

Wirral Borough Council Intranet Whistleblowing page  
(<https://wirralcouncil.sharepoint.com/sites/people/SitePages/Whistleblowing.aspx>)  
Employment Rights Act 1996  
Public Interest Disclosure Act 1998

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee	23rd September 2019 Urgent Business Whistleblowing Policy review - Deferred to next meeting
Audit and Risk Management Committee	18th November 2019 Whistleblowing Policy review - Report noted
Constitution and Standards Committee	24 February 2021 Whistleblowing Policy approved

## **WIRRAL BOROUGH COUNCIL WHISTLEBLOWING POLICY**

### **Introduction**

All of us at one time or another has a concern about what is happening at work.

Usually these are easily resolved. However, when the concern feels serious because it is about a possible fraud, danger or malpractice that might affect others or the Council itself, it can be difficult to know what to do.

You may be worried about raising a concern and may think it best to keep it to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the Council. You may decide to say something but find that you have spoken to the wrong person or raised the issue in the incorrect way and are not sure what to do next.

The Council are committed to running the organisation in the best way possible. This policy seeks to reassure you that it is safe and acceptable to speak up and to enable you to raise any concern that you may have at an early stage and in the right way. Rather than wait for proof, the Council would prefer you to raise your concern as soon as you feel able to do so.

This policy applies to all those who work for the Council; whether full-time or part-time, employed, subcontracted, working as a consultant, through an agency or as a volunteer. If you have a whistleblowing concern, you are encouraged to notify us of the same as soon as is practicably possible.

### **Are you using the correct policy?**

If something is troubling you and you think that the Council should know about or investigate it, please use this policy. If, however, you wish to make a complaint about your employment or how you have been treated, you are encouraged to use the grievance or dignity at work policies, which are available on the People pages of the Council's Intranet site:

<https://wbcnet.wirral.gov.uk/people-standards-and-conduct/dignity-work>

<https://wbcnet.wirral.gov.uk/people-standards-and-conduct/grievance>

If you have a concern that relates to financial misconduct or fraud, you are advised to refer to the Anti-Fraud and corruption policy, which is available on the Internal Audit page of the Council's Intranet site:

<https://wbcnet.wirral.gov.uk/news/news/2019/11/18/fraud-awareness-week>

The Whistleblowing Policy is primarily for concerns where there is a risk that is in the public interest. This includes risks to the wider public, customers, staff or to the Council itself.

## **Public Interest Disclosure Act (1998) (PIDA)**

This policy is drafted in line with the provisions of the Public Interest Disclosure Act (1998) (PIDA). The Act protects you from detrimental treatment or victimization by your employer if, in the public interest, you disclose a concern regarding any wrongdoing.

- Examples of concerns that you may raise include:
- Data protection issues
- Fraud/Theft
- Breaches of the council's policies and procedures.
- Conflicts of interest
- Safeguarding issues
- Health and safety

## **Policy Aims**

This policy aims to:

- Encourage you to feel confident in raising concerns and to question concerns that you may have about perceived wrong doings
- Provide a clear process in which you can communicate your concerns
- Ensure that you receive a response to your concerns and are aware of how you can pursue the same if you are not satisfied with the Council's response
- Reassure you that if your disclosure is genuine, you will be protected from harassment, reprisals or victimisation by anyone working for or with the Council

## **Victimisation**

The Council is committed to this policy. Provided you are raising a genuine concern, it does not matter if you are mistaken. Of course, the Council does not extend this assurance to someone who maliciously raises a matter they know is untrue.

If you raise a genuine concern under this policy, you will not be at risk of losing your job or suffering any form of reprisal as a result. The Council will not tolerate the harassment or victimisation of anyone raising a genuine concern and we consider it a disciplinary matter to victimise anyone who has raised a genuine concern.

## **Confidentiality**

With these assurances, we hope that you will raise your concern openly. However, the Council recognise that there may be circumstances when you would prefer to speak to someone confidentially first. If this is the case, you are requested to advise the Council of your concern at the outset. If you ask the Council not to disclose your identity, it will not be disclosed without your consent (unless required by law). You should understand that there may be times when the Council is unable to resolve a concern without revealing your identity, for example where personal evidence is essential or in an investigation report to provide context. In such cases, the Council will discuss with you whether and how the matter can be best progressed.

Please remember that if you do not identify yourself (and therefore are raising a concern anonymously) it may be difficult for the Council to investigate the matter. The Council will not be able to protect your position or provide feedback, as it can when a whistle-blower's identity is disclosed at the outset.

## **How to raise a concern internally**

When raising your concern, you need not have firm evidence of malpractice. However, the Council does request that you explain as fully as you can, the information or circumstances that have given rise to your concern.

If you wish to raise the matter confidentially, you are requested to advise the Council of this at the outset, so that appropriate arrangements can be made.

### **Option one**

If you have a concern about malpractice, the Council hopes that you will feel able to raise it first with your manager or team leader. This may be done verbally or in writing in open correspondence or by using the Council's Confidential Reporting Form (CRF1) (Appendix 1), which is available on Whistleblowing page of the Council's Intranet site:

<https://wbcnet.wirral.gov.uk/people-standards-and-conduct/whistleblowing>

### **Option two**

If you feel unable to raise the matter with your manager, for whatever reason, you are encouraged to use the Council's Confidential Reporting Form (CRF1) and send the same to one of the Council's Designated Officers. The list of Designated Officers, with their contact details is available both on the Whistleblowing page of the Council's Intranet site and at Appendix 2 of this policy

These people have been given special responsibility and training for dealing with whistleblowing concerns.

### **Option three**

If you feel unable to raise your concerns with any of the Council's Designated Officers, you can communicate your concerns by completing the Council's CRF1 form and sending it directly to the Council's Director of Law & Governance (the Monitoring Officer).

### **Option four**

If your concern relates to the Council's Director of Law & Governance (the Monitoring Officer) then you should communicate directly with the Council's Chief Executive, again utilising the Council's CRF1 form.

## **How the Council will respond**

Where a concern has been raised under step one or two (above), it will be acknowledged within 5 working days and communicated to the Director of Law & Governance (the Monitoring Officer).

Upon receipt of the concern details, the Director of Law & Governance (the Monitoring Officer) or their appointed representative will write to you, acknowledging your concern and undertake a preliminary investigation.

If the Director of Law & Governance (the Monitoring Officer) is satisfied that the concern raised requires a formal investigation, it will be referred to the Council's Whistleblowing Board.

The Whistleblowing Board consists of senior officers from Law & Governance, Internal Audit and Human Resources.

As soon as is practicably possible, the Whistleblowing Board will consider the concern raised and instruct either an internal or external investigator.

The Whistleblowing Board will write to you to confirm:

1. The details of the appointed investigator
2. Details of how your concern will be investigated
3. Details of the support mechanisms available to you during the investigation

During the investigation the investigator will maintain regular contact with you and where possible, provide a timetable for the investigation.

At the conclusion of the investigation, a report will be sent to the Director of Law & Governance (the Monitoring Officer), outlining the findings of the investigation and provide any recommendations.

Recommendations are sometimes provided to assist the Council in addressing findings that are reported during the investigation.

The Director of Law & Governance (the Monitoring Officer) will then write to you with details of his/her findings.

### **Additional support for employees**

Any employee who raises a concern or is the subject of an investigation under the Whistleblowing Policy can access confidential counselling through the Employee Assistance Programme.

The Employee Assistance Programme is an independent organisation that provides confidential help and assistance including counselling for employees for any personal or work-related issue. Further details are available on the Intranet under 'Employee Assistance Programme':

<https://wbcnet.wirral.gov.uk/people-health-and-safety/employee-assistanceprogramme>

## **External Disclosures and Independent Advice**

It is the aim of the Whistleblowing Policy to provide you with the reassurance and information that you need to raise your concern internally.

If you would prefer to report your concern externally, you may wish to seek advice from your Trade Union, your regulatory / professional body or from the whistleblowing charity PROTECT. What is most important, is that your concern is raised and considered.

PROTECT can be contacted by telephone on 020 3117 2520 or by email [whistle@protect-advice.org.uk](mailto:whistle@protect-advice.org.uk) and more information about what they do can be found by visiting [www.protect-advice.org.uk](http://www.protect-advice.org.uk)

## **Commitment to Equality**

This policy addresses the following equality duties:

- Eliminate unlawful discrimination, harassment and victimisation
- To advance equality of opportunity
- To foster good relations between different groups of people

## **Supporting Documentation**

- Confidential Reporting Form (CRF1) (Appendix 1)
- Designated Officer contact details (Appendix 2)

## **Related Policies**

- Grievance
- Bullying / Harassment

- Dignity at Work
- Complaints
- Anti-Fraud
- Information Governance

## **Consultation**

Consultation has been undertaken with the Trade Unions.

## **Communication and Awareness**

This policy is considered:

- Internal (for members, officers, consultants, contractors and volunteers)

All staff must be made aware of and understand the need for this Policy. The Council will send out a clear message about its commitment to ensuring that any concerns raised are investigated and dealt with appropriately. All staff and managers are expected to comply with the terms of this Policy.

Managers will receive training on the management of whistleblowing concerns.

## **Monitoring and Review**

The Whistleblowing Policy will be reviewed every three years by the Whistleblowing Board. However, the Policy may be reviewed as and when required, for example, due to legislative changes or if an issue arises around its effectiveness.

The Director of Law & Governance (Monitoring Officer) has overall responsibility for the maintenance and operation of the Whistleblowing Policy.

The Director of Law & Governance (Monitoring Officer) has responsibility to ensure all issues raised under this Whistleblowing Policy are investigated thoroughly and in a timely manner.

The Whistleblowing Board will convene bimonthly, to discuss the progress of investigations and identify and address any issues that arise that may hinder or otherwise prevent the timely investigation of the concern(s) raised.

To ensure appropriate Committee oversight, a quarterly report will be prepared by the Whistleblowing Board for the Audit & Risk Management Committee. This report will communicate:

1. The number and nature of whistleblowing concerns raised in the municipal year
2. That the investigations are being effectively monitored / progressed

The Director of Law & Governance (Monitoring Officer) will review the system referred to above and produce and present an annual report detailing any relevant matters and issues arising in connection with the Whistleblowing Policy to the Council's Senior Leadership team and to the Audit and Risk Management Committee.

The report prepared will not disclose details of any staff (or other confidential information) but will summarise (so far as is possible without undermining or exposing the Council to unacceptable risk or challenge) the number / nature of the concerns raised under the Whistleblowing Policy, details of the service(s) to which the concerns relate and the subsequent outcomes.

**APPENDIX 1**

**WHISTLEBLOWING POLICY  
CONFIDENTIAL REPORTING FORM**

## WHISTLEBLOWING POLICY

### CONFIDENTIAL REPORTING FORM

Please provide as much information as possible so that the appropriate action can be taken as quickly as possible.

*NB: The Whistleblowing policy applies to all employees of the Council. Whilst they are not covered by the policy, other individuals performing functions in relation to the organisation, such as volunteers, agency workers and contractors, are encouraged to use it. Please also refer to the Council's complaints procedure.*

<b>1. Nature of the concern</b>
<b>2. Background, including key dates</b>
<b>3. Who is involved?</b>
<b>4. Have any other persons or organisations been contacted? Yes <input type="checkbox"/> No <input type="checkbox"/></b>
(If yes please provide details)
<b>5. Reasons for the concern?</b>

**6. How do you think the matter might best be resolved?**

--

**7. Do you have any personal interest in the matter?** Yes  No

(If yes please provide details)

--

**8. Person raising the concern:**

Name:	Employee no.:
Post title:	Department:
Signed:	Date:

**9. Form completed by (if different from above):**

Name:	Employee no.:
Post title:	Department:
Signed:	Date:

**10. Do you want this matter to be dealt with anonymously?** Yes  No

**11. Form received by:**

Name:	Employee no.:
Post title:	Department:
Signed:	Date:
Line manager <input type="checkbox"/>	Senior Manager <input type="checkbox"/>
Designated Officer <input type="checkbox"/>	Monitoring Officer <input type="checkbox"/>
Chief Executive <input type="checkbox"/>	
Signed:	Date:

**12. Date forwarded to Monitoring Officer**

--	--

**13. Date received by Monitoring Officer**

--	--

## **WHISTLEBLOWING POLICY**

### **DESIGNATED OFFICERS**

## DESIGNATED OFFICERS

Governance & Assurance	Philip McCourt Director of Law & Governance (Monitoring Officer) Email: <a href="mailto:philipmccourt@wirral.gov.uk">philipmccourt@wirral.gov.uk</a>
Corporate Business Management	Paul Satoor Chief Executive Officer Email: <a href="mailto:paulsatoor@wirral.gov.uk">paulsatoor@wirral.gov.uk</a>
Assistant Chief Executive	David Armstrong Assistant Chief Executive Email: <a href="mailto:davidarmstrong@wirral.gov.uk">davidarmstrong@wirral.gov.uk</a>
Children, Families & Education	Simone White Director of Children, Families & Education Email: <a href="mailto:simonewhite@wirral.gov.uk">simonewhite@wirral.gov.uk</a>
Adult Care & Health, Strategic Commissioning	Graham Hodgkinson Director of Adults' Care & Health and Strategic Commissioning Email: <a href="mailto:grahamhodkinson@wirral.gov.uk">grahamhodkinson@wirral.gov.uk</a>
Safeguarding	<p><u>Children's safeguarding</u></p> <ul style="list-style-type: none"> <li>• Monday to Friday, 9am to 5pm Telephone: 0151 606 2008</li> <li>• Outside of these hours Telephone: 0151 677 6557</li> <li>• email: <a href="mailto:ifd@wirral.gov.uk">ifd@wirral.gov.uk</a></li> <li>• or call 999 in an emergency</li> </ul> <p><u>Adult safeguarding</u></p> <ul style="list-style-type: none"> <li>• call 0151 514 2222 (option 3), Monday to Friday 8:50am to 5:00pm</li> <li>• call 0151 677 6557 all other times and on public holidays</li> <li>• email: <a href="mailto:wcnt.centraladviceanddutyteam@nhs.net">wcnt.centraladviceanddutyteam@nhs.net</a></li> <li>• or call 999 in an emergency</li> </ul>
Resources (Finance & Investments)	Shaer Halewood Director of Resources (Section 151 Officer) Email: <a href="mailto:shaerhalewood@wirral.gov.uk">shaerhalewood@wirral.gov.uk</a>
Neighbourhood Services	Nicki Butterworth Director of Neighbourhoods Email: <a href="mailto:nickibutterworth@wirral.gov.uk">nickibutterworth@wirral.gov.uk</a>
Regeneration & Places	Alan Evans Director of Regeneration & Places Email: <a href="mailto:alanevans@wirral.gov.uk">alanevans@wirral.gov.uk</a>

The table below sets out the ownership and review schedule for this policy:

<b>Document Ownership</b>	
Policy owned by:	Law & Governance
Policy written by:	Vicki Shaw, Head of Legal Services
Date policy written:	January 2020
Policy due for 1st review:	January 2023

## Version Control Table

All changes to this document are recorded in this table.

Date	Notes/Amendments	Officer	Next Scheduled Review Date
29 November 2013	Reviewed and Reformatted	Tony Williams, HR Manager	November 2016
July 2014	Legislative updates and audit recommendation	Tony Williams, HR Manager	July 2017
June & October 2015	Audit recommendation	Tony Williams HR Manager	July 2017
6 June 2016	Update to procedure in relation to anonymous disclosures and contact with Designated Officer.	Tony Williams, HR Manager	July 2017
23 March 2017	Job titles of senior officers updated to reflect new operating model.  Section 2. Order of paragraphs changed.  Section 3. Equalities box inserted.	Jess Bayley, Graduate Officer/Andrea Morrell-Foulkes, HR Officer	March 2020
23 July 2018	Job title Assistant Director: Law and Governance, (Monitoring Officer) changed to Director: Governance & Assurance to reflect senior management structure 1 July 2018	Andrea Morrell-Foulkes, HR Officer	July 2020
8 October 2018	2. Additional Support for Employees Employee Assistance Programme details updated. (Refer to intranet for further info).	Andrea Morrell-Foulkes, HR Officer	October 2020

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# Equality Impact Assessment Toolkit (January 2021)

**Section 1: Your details**

**EIA lead Officer:** Paul Martin: Principal Lawyer, Litigation and Governance

**Email address:** [paulmartin@wirral.gov.uk](mailto:paulmartin@wirral.gov.uk)

**Head of Section:** Vicki Shaw – Head of Legal Services

**Chief Officer:** Phil McCourt – Director of Law & Governance

**Directorate:** Law & Governance

**Date:** 15 September 2021

**Section 2: What Council proposal is being assessed?**

The implementation of the Council’s Whistleblowing Policy as approved by the Consultation and Standards Committee on 24 February 2021

**Section 2a: Will this EIA be submitted to a Committee meeting?**

**Yes** If ‘yes’ please state which meeting and what date

**AUDIT & RISK MANAGEMENT COMMITTEE – 27 SEPTEMBER 2021**

**Hyperlink to where your EIA is/will be published on the Council’s website**

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments>

**Section 3:** Does the proposal have the potential to affect..... (please tick relevant boxes)

- Services**
- The workforce**
- Communities**
- Other** (please state eg: Partners, Private Sector, Voluntary & Community Sector)

**Former employees, contractors and agency workers (defined as 'Workers' in the relevant statute)**

If you have ticked one or more of above, please go to section 4.

- None** (please stop here and email this form to your Chief Officer who needs to email it to [engage@wirral.gov.uk](mailto:engage@wirral.gov.uk) for publishing)

**Section 4:**

**Could the proposal have a positive or negative impact on any protected groups (age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation)?**

**You may also want to consider socio-economic status of individuals.**

**Please list in the table below and include actions required to mitigate any potential negative impact.**

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Which group(s) of people could be affected	Potential positive or negative impact	Action required to mitigate any potential negative impact	Lead person	Timescale	Resource implications
Workforce (Disability)	<b>Negative</b> Policy in current format may not be accessible for some employees with particular neurodiverse conditions.	Make all documentation available in alternative formats / Easy Read upon request		As requested	
Workforce (offline)	<b>Negative</b> Some parts of the workforce may not be able to readily access the policy, associated guidance and documentation due to working remotely/outdoors and do not have regular access to a computer	Launch of policy for remote workers to include 'toolbox' type briefing for managers, awareness raising to all managers and supervisory staff via Managers Network and Managers View for onward briefing, printed material / information to be placed at depots, crew	Paul Martin	6 months	Legal Services; Corporate Comms; HR/OD

		rooms, etc.  Remote workers are able to access Policy etc via intranet on own devices			
Workforce (all)	<b>Negative</b> Fear of discriminatory action or other repercussions for making a protected disclosure.	Workers protected from such action in law. Highlight protections afforded to Whistleblowers in all awareness raising/training materials. Adopt zero tolerance approach to any discriminatory behaviours towards Whistleblowers.	Paul Martin	Ongoing	As above

**Section 4a: Where and how will the above actions be monitored?**

Awareness raising sessions will be monitored against proposed communications plan

**Section 4b: If you think there is no negative impact, what is your reasoning behind this?**

N/A

**Section 5: What research / data / information have you used in support of this process?**

Meetings with and taking advice of Corporate Comms and HR/OD Team

**Section 6: Are you intending to carry out any consultation with regard to this Council proposal?**

No – (please delete as appropriate)

If 'yes' please continue to section 7.

If 'no' please state your reason(s) why:

Consultation was carried out amongst Officers, Members and Trade Unions prior to submission to the Constitution and Standards Committee for approval. This is now the implementation stage of the Policy.

(please stop here and email this form to your Chief Officer who needs to email it to [engage@wirral.gov.uk](mailto:engage@wirral.gov.uk) for publishing)

**Section 7: How will consultation take place and by when?**

N/A

Before you complete your consultation, please email your preliminary EIA to [engage@wirral.gov.uk](mailto:engage@wirral.gov.uk) via your Chief Officer in order for the Council to ensure it is meeting it's legal publishing requirements. The EIA will need to be published with a note saying we are awaiting outcomes from a consultation exercise.

Once you have completed your consultation, please review your actions in section 4. Then email this form to your Chief Officer who needs to email it to [engage@wirral.gov.uk](mailto:engage@wirral.gov.uk) for publishing.

**Section 8:** Have you remembered to:

- a) **Select appropriate directorate hyperlink to where your EIA is/will be published (section 2a)**
- b) **Include any potential positive impacts as well as negative impacts? (section 4)**
- c) **Send this EIA to [engage@wirral.gov.uk](mailto:engage@wirral.gov.uk) via your Chief Officer?**
- d) **Review section 4 once consultation has taken place and sent your updated EIA to [engage@wirral.gov.uk](mailto:engage@wirral.gov.uk) via your Chief Officer for re-publishing?**



## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 27 September 2021

<b>REPORT TITLE:</b>	<b>2020/21 DRAFT STATEMENT OF ACCOUNTS UPDATE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF RESOURCES</b>

### REPORT SUMMARY

This report brings the draft unaudited 2020/21 Statement of Accounts to the Audit and Risk Management Committee and an update on changes to the accounts.

The Statement of Accounts sets out the Council's financial position as at the 31 March 2021, along with a summary of its income and expenditure for the year ended 31 March 2021.

The draft unaudited Accounts were published on the Council's website ahead of the revised statutory deadline of 31 July 2021.

This report provides background information on the reasons why the Council prepares annual Accounts and the revised publication timetable for 2020/21.

The report also provides commentary on:

- the main Statements contained within the Accounts;
- the public inspection period currently underway; and
- arrangements being made to implement an external audit of the full Accounts by the Council's appointed auditor.

This matter affects all Wards within the Borough. The report is provided for information only and is not a key decision at this stage.

### RECOMMENDATIONS

1. The Audit and Risk Management Committee note, and comment as appropriate, on the draft, unaudited Statement of Accounts for 2020/21
2. Note the changes to the draft Accounts as set out in paragraph 3.9.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATIONS**

The Audit & Risk Management Committee has responsibility for approving the Statement of Accounts on behalf of the Council, which is a requirement under the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2021. This review of the draft, unaudited Accounts gives the Audit & Risk Management Committee an opportunity to look at the accounts and comment. The final, audited Statement of Accounts will be shared with Audit & Risk Management Committee when available following the completion of the external audit.

### **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 following a change in regulations they must be published by 30 September for years 2020/21 and 2021/22 each year.
- 2.2 This report is intended to update Members on the draft, unaudited Accounts that have been made available for public inspection and external audit.

### **3.0 BACKGROUND INFORMATION**

#### **What are the annual Accounts and their purpose**

- 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 2020/21 ("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 31 March 2021.
- #### **Revised Publication Timetable for 2020/21**
- 3.4 Under amended legislation, Accounts and Audit (Amendment) Regulations 2021, local authorities had until the 31 July to publish draft accounts. The deadline for completion of the external audit has also been moved to the 30 September. In normal circumstances, the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014 require publication of the draft unaudited accounts by 31 May with publication of the audited accounts by 31 July.

## Publication of the Draft Unaudited Accounts

- 3.5 The draft accounts were completed ahead of the deadline of the 31 July and where published on the Council's website on the 9 July 2021, the draft accounts are attached to this report in Appendix 1 and are also available on the link below:

[Annual accounts | www.wirral.gov.uk](http://www.wirral.gov.uk)

## The Main Statements and Notes to the Accounts

- 3.6 To assist understanding of the main statements and Notes contained in the draft Accounts, a narrative follows outlining the purpose of each one:
- a) 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
  - b) Movement in Reserves 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 services, more details of which are shown in the Comprehensive Income and Expenditure Statement (this is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes). For 2020/21, a £45.622m deficit (2019/20 £55.777m deficit) is shown (see comments below, in 3.7).
  - c) Comprehensive Income and Expenditure 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. For 2020/21, the deficit, after taking into consideration all operating expenditure and the receipt of taxation and non-specific general grant income, totals £45.622m (2019/20 £55.777m); see comments below in 3.7 relating to the deficit position reported. This is then adjusted to include revaluation gains or losses on property, plant and equipment and financial instruments and the impact of remeasuring the pensions liability, to give total comprehensive income and expenditure. The revaluation gains or losses above impact on the accounting cost of services but not on the amount to be funded from taxation
  - d) Balance Sheet  
Shows the value of the assets and liabilities recognised by the Council as at the year-end. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. For 2020/21, the Council's assets are valued at £856.918m, offset by liabilities of £934.319m, resulting in net liabilities of (£77.401m). The negative net assets position is largely due to unusable reserves of (£228.338m) which mainly relate to notional unrealised gains and losses on revaluation of fixed assets, timing differences arising in the capital adjustment

account to reflect the financing of capital expenditure, the movement in the pensions liability and the accumulated absences account which reflects unpaid staff annual leave owed at the year-end

e) Cash Flow Statement

Shows the changes in cash and cash equivalents of the Council during the reporting period, by classifying cash flows as operating, investing or 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. For 2020/21, total cash and cash equivalents were £21.270m (2019/20 £53.672m)

f) Notes to the Core Financial Statements

Provides further detail, cross-referenced where appropriate, to the Core Financial Statements (the Movement in Reserves, Comprehensive Income and Expenditure, Balance Sheet and Cash Flow statement(s)). The Notes include, for example, explanation of the Council's significant accounting policies, the critical judgements in applying accounting policies, and assumptions made about the future and other major sources of estimation uncertainty. Due to the unprecedented spread of coronavirus, the year-end valuations for material property, plant and equipment and other assets, are potentially impacted and there is a greater degree of uncertainty attached to these valuations this year.

g) Collection Fund Statement

Shows the statutory obligation to account separately for taxation, showing transactions from the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates. For 2020/21, total Council Tax of £181.637m (2019/20 £175.038m) and Business Rates of £34.593m (2019/20 £71.829m) were collected and apportioned between the previous year's surplus/deficit, the various precepts, demands and shares and write-offs for uncollectable amounts, impairments and allowances. The deficit on the Council Tax account overall was £2.126m (2019/20 surplus £0.814m) and on Business Rates a deficit of £40.467m (2019/20 deficit of £0.286). These amounts are then carried forward to offset against the 2021/22 Collection Fund position.

Business Rates expenditure is based on estimates of the income in the January prior to the start of the financial year. In response to the COVID-19 pandemic, central Government subsequently announced a number of Business Rates reliefs, reducing the income recognised and therefore resulting in a significant deficit. Councils and precepting authorities have received additional Section 31 grants to compensate for the reliefs, and recovery of the deficit will be over 3 years from 2021/22.

h) Glossary

Provides a brief explanation of the more significant terminology used in the Accounts

i) Merseyside Pension Fund Accounts

The Fund is part of the Local Government Pension Scheme and Wirral Council is the Administering Authority and the reporting entity. The Scheme is governed by the Public Services Pensions Act 2013 and secondary legislation. It is a contributory defined benefit pension scheme administered by Wirral Council to provide pensions and other benefits for pensionable employees of the Merseyside Local Authorities and a range of other scheduled and admitted bodies as detailed in the Notes.

- 3.7 The deficit reported in the Comprehensive Income and Expenditure and Movement in Reserves Statement(s) of £45.622m differs from the balanced outturn position previously reported to Policy and Resources Committee on the 30<sup>th</sup> June. This is because the surplus or deficit on the Provision of Services line shows the full impact of notional accounting adjustments required by the Code of Practice including unrealised gains and losses on valuation of property and other assets, rather than the amount to be funded from taxation. A similar deficit was reported for 2019/20 and it is not unusual to show a significant difference compared to the out-turn position as they are prepared on different bases. The outturn position reported to Policy and Resources Committee on 30 June is unchanged

### 3.8 Summary of the Statement of Accounts 2020/21

#### Comprehensive Income and Expenditure Statement

2019/20			2020/21			
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
1,812	-136	1,676	Chief Executive Officer	1,987	-16	1,971
109	-220	-111	Covid-19	34,285	-29,949	4,336
119,941	-111,158	8,783	Resources	132,610	-102,773	29,837
95,244	-28,319	66,925	Neighbourhood Services	81,887	-17,379	64,508
8,905	-2,601	6,304	Law & Governance	8,531	-1,029	7,502
42,620	-12,012	30,608	Regeneration & Place	38,334	-9,687	28,647
329,191	-234,218	94,973	Children, Families & Education	334,478	-246,314	88,164
183,736	-92,648	91,088	Adults Care and Health and Strategic Commissioning	180,332	-87,935	92,397
-471	-3,579	-4,050	Corporate	325	-4,866	-4,541
<b>781,087</b>	<b>-484,891</b>	<b>296,196</b>	<b>Cost of Services</b>	<b>812,769</b>	<b>-499,948</b>	<b>312,821</b>
41,312	0	41,312	Other Operating Expenditure	43,367	0	43,367
56,690	-3,770	52,920	Financing and Investment Income and Expenditure	34,363	-509	33,854
0	-334,651	-334,651	Taxation and Non-Specific Grant Income	0	-344,420	-344,420
<b>879,089</b>	<b>-823,312</b>	<b>55,777</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>890,499</b>	<b>-844,877</b>	<b>45,622</b>
		-46,549	Surplus or deficit on revaluation of PPE			-25,312
		326	Surplus or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure			4
		-98,467	Remeasurement of the net defined benefit liability / asset			54,677
		<b>-144,690</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>29,369</b>
		<b>-88,913</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>74,991</b>

Balance Sheet

<b>31 March 2020</b>			<b>31 March 2021</b>
<b>£000</b>	<b>Notes</b>		<b>£000</b>
655,993	14	Property, Plant and Equipment	669,455
14,308	15	Heritage Assets	18,411
24,680	16	Investment Property	19,033
165	17	Intangible Assets	19
0	18	Long-Term Investments	0
30,356	18	Long-Term Debtors	22,327
<b>725,502</b>		<b>Long Term Assets</b>	<b>729,245</b>
33,185	18	Short-Term Investments	16,937
257		Inventories	226
86,737	19	Short-Term Debtors	89,240
53,672	21	Cash and Cash Equivalents	21,270
<b>173,851</b>		<b>Current Assets</b>	<b>127,673</b>
-146,792	18 & 29	Short-Term Borrowing	-101,198
-68,995	22	Short-Term Creditors	-81,443
-10,798	23	Provisions	-12,084
<b>-226,585</b>		<b>Current Liabilities</b>	<b>-194,725</b>
-3,227	23	Provisions	-3,444
-162,340	18 & 29	Long-Term Borrowing	-149,434
-36,865	18, 22 & 29	Other Long-Term Liabilities	-34,877
-472,389	42	Pension Liability	-551,582
-357	36	Grants Receipts in Advance - Capital	-257
<b>-675,178</b>		<b>Long Term Liabilities</b>	<b>-739,594</b>
<b>-2,410</b>		<b>Net Assets</b>	<b>-77,401</b>
-97,410	24	Usable Reserves	-150,927
99,820	25	Unusable Reserves	228,328
<b>2,410</b>		<b>Total Reserves</b>	<b>77,401</b>

- 3.9 Amendments to the financial statements (draft to final) are detailed below for Wirral Council Accounts and will be reflected in the final accounts to be brought back to this Committee later in the year. The Committee is asked to note these changes.

<b>Description</b>	<b>Amount £m</b>	<b>Financial impact on CIES and Balance Sheet</b>
Note 13 – realign where income is reported from Non-IFRS to IFRS line	n/a	n/a
Note 14 – Depreciation and revaluation incorrectly processed	Gross £2.500m / Net £1.500m	No change to Outturn. PPE, Unusable reserves, cashflow, MIRS and CIES primary notes that will be impacted.
Note 35 DSG table updated to reflect where corporate costs for PFI should have been reported	n/a	n/a
Hoylake Golf Resort	£0.495m	No restatement of the accounts due to it not being material and within the limits of Grant Thornton thresholds.
CIES and Comparative Note – overstatement of income and expenditure as internal recharges have not been eliminated	Net nil 19/20 £13.768m 20/21 £16.297m	CIES and comparative note .

### **Public Inspection Period**

- 3.10 The public inspection of the accounts began on the 12 July 2021. Members of the public and other interested parties had thirty working days (until 20<sup>th</sup> August) to request access to documents relating to the financial statements for 2020/21 and related notes. Requests for information are subject to restrictions around commercial confidentiality and the protection of personal information. During the same period, a local elector may also raise questions relating to the accounts with the External Auditor. A notice setting out the rights to public inspection of the accounts along with relevant contact details has been published on the Council’s website, available on the following link:

[Annual accounts | www.wirral.gov.uk](http://www.wirral.gov.uk)

### **Arrangements for External Audit**

- 3.11 Grant Thornton are the Council’s appointed external auditors. In carrying out their audit and inspection duties they are required to comply with the relevant statutory requirements, namely the Local Audit and Accountability Act 2014.
- 3.12 Grant Thornton are currently undertaking the audit and under local government legislation Grant Thornton are required to give their opinion on the Accounts, whether in their professional opinion a true and fair view is reported. The opinion can be “unqualified” (with no material objections) or “qualified” (with material objections).

- 3.13 At the end of the process, Grant Thornton will also issue an Audit Findings Report outlining the conclusions from their audit, which include lessons to be learned and suggested improvements to processes and procedures for the Council to consider.
- 3.14 Subject to satisfactory completion of the audit by Grant Thornton. The Audit Findings Reports and audit opinions will be shared with members of Audit & Risk Management Committee at the next available meeting once the reports are available. The Committee will be requested to authorise the final Statement of Accounts for issue and publication at that meeting. The deadline for publication of the final accounts following the change in the regulations is 30<sup>th</sup> September, however, we believe the audit will go beyond this date and the accounts will be brought to the next available Audit and Risk Management Committee meeting.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 None arising directly from this report. The outcome of the audit of the Statement of Accounts does however always have the potential to result in a change in the Council's financial position.

#### **5.0 LEGAL IMPLICATIONS**

- 5.1 None arising directly from this report. However, the outcome of the external audit could potentially result in changes to the final position reported for 2020/21.

#### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 6.1 None arising directly from this report.

#### **7.0 RELEVANT RISKS**

- 7.1 None arising directly from this report.

#### **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 The draft unaudited Statement of Accounts for 2020/21 are currently out for public inspection and subject to external audit.

#### **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 – Draft unaudited Statement of Accounts 2020/21

## **BACKGROUND PAPERS**

The report has drawn upon a number of sources of information including the Draft Unaudited Statement of accounts and supporting working papers and reports, plus published statutory guidance and legislation.

### **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management Committee – Statement of Accounts for 2019/20 for Wirral Council & Merseyside PF	11 January 2021
Audit & Risk Management Committee – Statement of Accounts for 2018/19 for Wirral Council & Merseyside PF	23 September 2019
Audit & Risk Management Committee – Statement of Accounts for 2017/18 for Wirral Council & Merseyside PF	23 July 2018

# Wirral Council Draft Statement of Accounts 2020/21

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# Narrative Report

## Narrative Report

The Statement of Accounts sets out the financial performance of the Council for the 2020/21 financial year and shows the year-end financial position at 31 March 2021. 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 2020/21
4. Key outcomes
5. Summary of financial performance for 2020/21
6. About the Statement of Accounts
7. Acknowledgements

### 1. About Wirral

Wirral is a unique place in the Northwest of England. A compact peninsula of 60 square miles in the Northwest of England, it is bounded to the west by the River Dee, which acts as boundary with Wales, the Irish Sea to the north, and the River Mersey to the East.

With a wealth of parks and countryside and over 20 miles of coastline Wirral is a combination of beautiful, rural countryside alongside cutting edge technology and advanced manufacturing industries and has a long and storied history of entrepreneurialism and culture.

Although data is currently being refreshed as part of the Census 2021, at the last census in 2011 the population of Wirral was 322,796, with a high proportion of older people and a low proportion of working age people when compared with England and Wales. The population is expected to increase by 1.6% to 328,500 by 2039. Although a small increase, this hides large variations when looking at smaller age groups, with the population of children and young people decreasing by -7.2% for example, while the population of older people aged 90+ is projected to increase by 103%.



## POPULATION



This increase in the elderly population, has profound implications for statutory services, given that older people are the largest users of health and social care services.

There is a large variation in the life expectancy in different parts of Wirral, ranging from 72 years in Rock Ferry to 84 years in Heswall for men, and 78 years to 87 years for women. Healthy Life Expectancy data indicates that Wirral residents spend about three quarters of their life in good health which is lower than the national average.

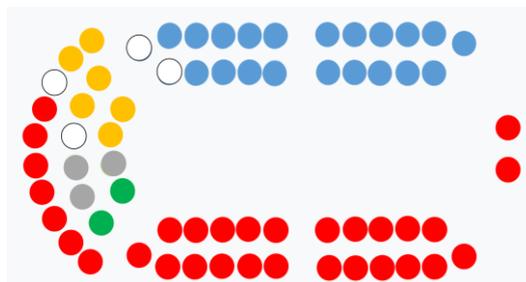
The Black and Minority Ethnic (BAME) population of Wirral accounts for 5% of the Wirral population, while there are an estimated 5,000 – 5,250 people in Wirral who identify as Lesbian, Gay, and Bisexual (LGB), with a further 50 people estimated as Transgender.

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, planning, housing benefits, regeneration, community engagement and many more. 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.

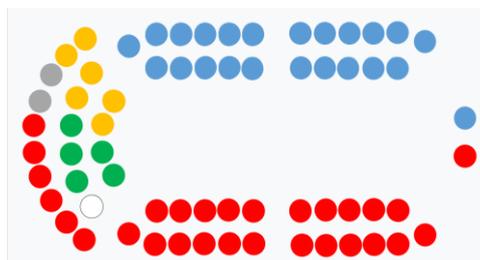
Wirral Council is made up of 66 locally elected Councillors across 22 electoral wards. At 31 March 2021 there were four vacant Councillor positions for Moreton West & Saughall Massie, New Brighton, Rock Ferry, and West Kirby and Thurstaston Wards. The political composition of the Council at the end of 2020/21 was:

- Labour – 31 seats
- Conservative – 20 seats
- Liberal Democrats – 6 seats
- Independent – 3 seats
- The Green Party – 2 seats
- ○ Vacant – 4 seats



Local elections were held on 6<sup>th</sup> May 2021, with the Conservative and Green parties both gaining 3 seats and the Labour party lost 1 seat, as did an Independent Councillor. There is one current vacancy and a bi-election is taking place in July (Liscard ward) as a Councillor recently resigned. The revised political composition following the elections and resignation is as follows:

- ● Labour – 29 seats
- ● Conservative – 23 seats
- ● Liberal Democrats – 6 seats
- ● Independent – 2 seats
- ● The Green Party – 5 seats
- ○ 1 vacant seat



### Council Structures and Operating Model

The Council employs over 3,000 people in full time and part time posts, led by The Chief Executive, Paul Satoor and the Senior Leadership Team. 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 came 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	Chief Executive Office Resources Law and Governance
Delivery	Neighbourhood Services
Economic and Housing Growth	Regeneration and Place
Adult Care and Health	Adults’ Care and Health and Strategic Commissioning
Children’s Services	Children, Families and Education

The structure that was in place during 2020/21 is further detailed below, with summary information on the services and operations undertaken by each Directorate provided.

#### *Chief Executive Office:*

- Supports and leads organisational performance, policy and strategy.
- Communications and Member enquiries.
- The Chief Executive of Wirral Council is Paul Satoor.

#### *Resources:*

- Includes Human Resources and Organisational Design, Merseyside Pension Fund, ICT & Digital and Business Change, Revenues and Benefits, and Finance and Investment.
- The Corporate Director of Resources (Section 151 Officer) is Shaer Halewood.
- Internal Audit, Risk and Business Continuity, Commercial Services and Procurement.

#### *Law and Governance:*

- Includes Legal Services, Democratic Services, Electoral Services, Registrars, and Licensing. Support to the Coroner.
- The Director for Law and Governance (Monitoring Officer) is Phil McCourt.

#### *Neighbourhood Services:*

- Includes Highways, Parks and Environment, Libraries, Leisure, and Customer Engagement, and Neighbourhood Safety and Transport.
- The Director of Neighbourhood Services is Nicola Butterworth.

#### *Regeneration and Place:*

- Includes Regeneration, Asset Management and Investment, Housing, Chief Planner, Special Projects, and Culture and Visitor Economy.
- The Director for Regeneration and Place is Alan Evans.

#### *Adult Care and Health and Strategic Commissioning:*

- Responsible for development of integrated services with health and other partners, and for commissioning and contract management of those services.
- Includes Health and Care Outcomes, Health and Wellbeing, and Public Health.
- The Director for Adults' Care and Health is Graham Hodkinson.

#### *Children, Families and Education:*

- Delivers a wide range of specialist and targeted services for children.
- Includes Early Help and Prevention, Education, Children and Families, Modernisation and Support.
- The Director of Children, Families and Education is Simone White.

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

## **2. Strategic Priorities**

2020 was the final year of "Wirral Plan: a 2020 vision", which was a 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:

### 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 October 2019, "The Wirral Plan 2025" received cross party support and was approved by Full Council, full details can be found on our website: Minute 70.

However, the social, economic, and political landscape in the borough has significantly changed during 2020 and the Wirral Plan 2025 is now being refreshed to take account of these changes. The refresh sets out the proposed Vision and Priorities as the basis for further discussion and engagement with members, officers, and partners in the early stages of 2021/22. The refreshed Wirral Plan will be presented to Full Council in September.

Although there are some short-term actions to be agreed in parallel with longer-term aspirations and ambitions, the thematic priorities for the Wirral Plan are:

**Inclusive Economy** - a thriving and inclusive economy, creating jobs and opportunities for all.

**Sustainable Environment** - a clean-energy, sustainable borough, leading the way in tackling the environmental crisis.

**Brighter Futures** - brighter futures for all regardless of their background.

**Safe and Pleasant Communities** - safe and pleasant communities that our residents are proud of.

**Active and Healthy Lives** - healthy and active lives for all, with the right care, at the right time.



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 most of the health and care services in Wirral and the integrated approach means that we 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 and will continue 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 challenges in recent years and 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 may result in further financial challenges with a need to modify operations in line with resources available.

Our challenge for 2021/22 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 residents in an efficient manner as possible.

In March 2021, the Council approved a budget for 2021/22 together with an indicative budget for the following four years. At the time the budget was approved the Council estimated a budget surplus ranging from £0.6m in 2022/23 to £15.5m in 2025-26, although this assumes a series of savings are agreed, ranging from £19m in 2022/23 to £13m in 2025/26.

However, as well as the one-off use of Capital Receipts of £0.7m, the budget for 2021/22 included a conditional offer of exceptional financial support, known as a “capitalisation directive”, of £10.7m from the Ministry of Housing, Communities and Local Government (MHCLG) to enable a balanced budget to be reported. The Ministry had approved a capitalisation directive up to a maximum value of £9m for 2020/21, following the draft year-end position the Council has drawn down £6.5m, subject to conditions.

This directs the Council to treat as capital expenditure, expenditure which is either:

- Revenue expenditure and meets the definition of an additional cost pressure as identified and agreed with MHCLG through the Council’s formal request for exceptional financial support; or
- Any revenue expenditure not exceeding the value of income losses in the financial period 2020/21 as identified and agreed with MHCLG through the application.

As a result, the Council must undergo an external assurance review by CIPFA, commissioned by MHCLG that focused on the financial position and ability to deliver plans for sustainability, with the intention of agreeing to a plan to address any recommendations.

This is to be ‘repaid’ over a period of no more than 20 years.

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 change in how income is generated, investments, 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.
- Generating additional income to offset costs.
- Changing how the Council operates to improve service, deliver on priorities, and reduce costs.
- Reviewing and implementing the change programme and ensuring the operating model aligns with the Wirral Plan to deliver the best possible outcomes for residents.
- 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) continues to have a considerable impact on the Council. As we move to the new 2021/22 financial year, we are part way through the Government’s roadmap to recovery and relaxing of social restrictions. The impact on the Council’s services and operations has been very significant and will continue to be as it will on the whole public sector.

HM Treasury announced several significant packages of funding to support the pandemic during 2020/21, and some of these continue into 2021/22 and will directly support business and residents as well as provide support for Council services.

As part of the 2021 Budget announcement HM Treasury announced that the extended Business Rates Reliefs for the retail, hospitality and leisure industry would be extended to early years nursery settings and be adapted for 2021 with the 100% relief extended for the first three months for 2021, followed by a reduced relief level of 66% for the remaining 9 months of the year (subject to 'cash caps'). The impact of this additional relief is to be 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 as well as a huge impact on the financial outturn for 2020/21. For the direct impact of Covid-19 on front line services, the Council has been fully funded by Government for this. There has also been an indirect impact on the Council's finances as a result of Covid-19 and this has led to the Council seeking Government support via the capitalisation directive mentioned above.

The Council is expecting continued 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. The Government compensation schemes offset some of these losses, but not 100%.

The Council is reviewing how its most critical services are provided, to determine which are required to still be operational in the same way even during a global pandemic and further to this, determine how to provide opportunities to new services in response to local needs as a reaction to the emergency situation. The changing environment and "new normal" in which we now find ourselves requires the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. The response by the community, voluntary and third sector has been significant in supporting residents and the Council is harnessing how this can continue for the future. This may 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 2020/21

There have been several developments in 2020/21 that have impacted on the Council during the year, some of these have influenced the presentation of the 2020/21 Accounts and the reported financial position of the Council. Below are some of the key events.

- Government funding
- Ofsted inspection
- Spending and recruitment freeze
- Coronavirus Pandemic
- Birkenhead 2040 Framework
- Birkenhead Commercial District
- Wirral Waters
- Better Care Fund
- Changes in pension estimates

## Government funding

On 17<sup>th</sup> December 2020, the government confirmed details of its Local Government Funding Settlement. The impact on Wirral was positive with an increase in core spending power through council tax rises of up to 4.99% including a 3% adult social care precept, increased Social Care Grant and new Lower Tier Services funding. Also confirmed was further Covid funding as referred to above through additional emergency grant funding, council tax support, and an extension of the Sales Fees and Charges compensation, as well as a contribution to Council Tax and Business Rates income losses.

Following last year's one-year spending round, the Treasury had initially planned to carry out a three-year review covering the period 2021/22 – 2023/24. However, the uncertainty resulting from the ongoing Covid-19 pandemic is such that, as well as the spending review being delayed, it has opted for a further single-year review. This uncertainty, puts 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.

## 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 (DfE).

Since March 2020, the authority has not been inspected due to inspection activity being ceased due to Covid-19. However, the authority has been subject to weekly monitoring by the DfE on behalf of Ofsted to ensure that we have been actively meeting our statutory responsibilities regarding safeguarding children and enabling those most vulnerable to attend school.

The formal review was ended by the DfE during the year due to progress made. In addition to the weekly meetings and increased scrutiny from the DfE the authority has also had to supply biweekly data reports on key performance indicators which have allowed DfE and Ofsted to monitor our progress in keeping children safe. Ofsted intend to commence inspection activities from June 2021 and the local authority will be in line for an inspection of SEND and a focused visit considering the performance of our social care services.

## Spending and vacancy controls

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 position on recruitment to tackle the budget gap. These restrictions have continued through 2020/21 and 2021/22.

## Coronavirus Pandemic

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:

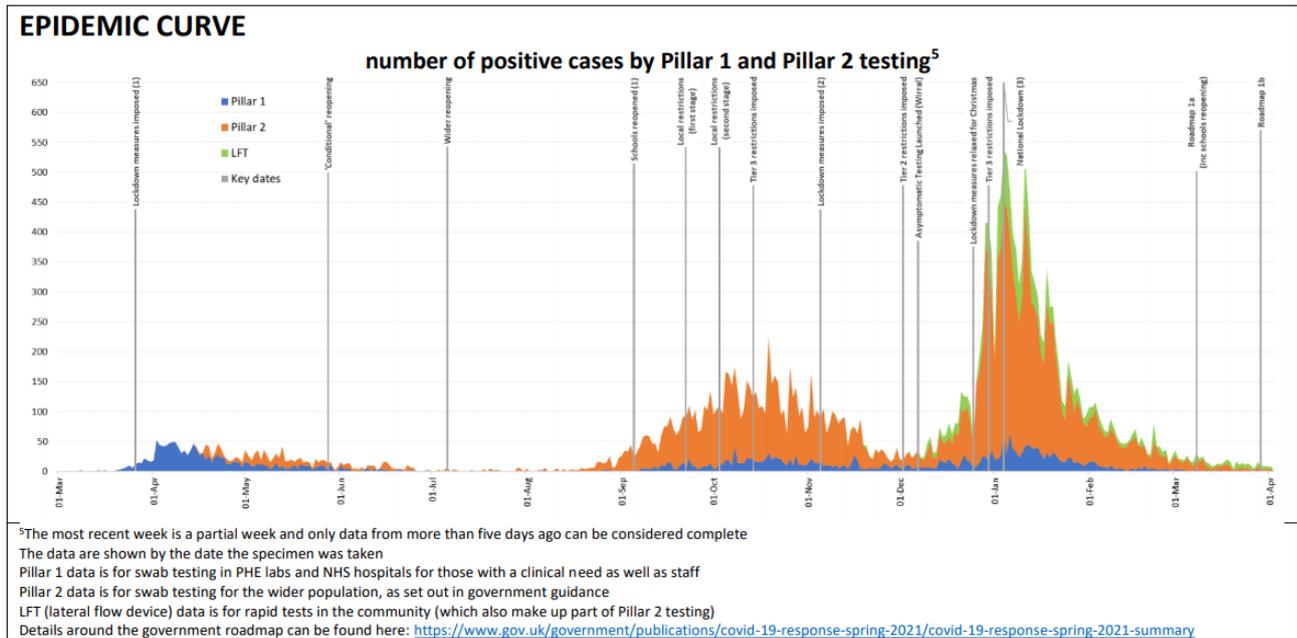
1. Preserve life.
2. Protect the vulnerable people in our communities.
3. Safeguard our children and young people.
4. Support local businesses and the economy.
5. Maintain the health and safety, and support the wellbeing, of our staff.

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. While the country is progressing through the Government's 'roadmap' out of lockdown and social restrictions, the Council as community leaders is leading the areas response in conjunction with Public Health and the NHS.

Although still supporting residents through the current easing out of lockdown, attentions are also turning towards the economic recovery from the pandemic. This, as well as the health and mental health recovery and backlogs at Arrowe Park, means that the Council's role as community leader through the pandemic does not end with social restrictions. Instead, full recovery is expected to last for at least a further two to three years, and the Council will need to be ready to respond and react as things progress.

To the end of March 2021 there had been 24,262 Covid-19 cases in Wirral (from 206,262 cumulative tests per 100,000 population) and 966 deaths.

Week ending: Friday 2nd April 2021



In addition to £11.9m received in 2019/20 and additional funding support allocated for 2021/22 a total of £193.631m was received from the government during 2020/21 to support the council’s work in responding to the pandemic. This included funding for specific areas of work or equipment, general support funding, as well as funding passported directly to businesses and individuals in line with government guidance. Further details can be found in the Grant Income note to the accounts.

Approximately £690k has been spent on food and essential supplies for those shielding and in need since the Covid-19 outbreak began, as well as over £600k on school meals. £5.276m has been spent supporting the Real Living Wage in the Adult Social Care sector, while £1.13m has been paid for items of PPE.

The 2020/21 budget included a range of agreed budget savings with a net total of £45m, some of these were not able to be achieved as key staff across the council were diverted to other areas of work, such as the emergency helpline, food and PPE hubs, assessment of Business Grant applications etc. This is one of the reasons for the request for the capitalisation directive in 2020/21.

Similarly, the pandemic caused the closure of facilities such as leisure centres, golf courses, theatres, and charges for services such as car parks were withdrawn, reduced, or paused, all of which led to a significant reduction in income from sales, fees, and charges. The government compensated local authorities for such losses in income, with authorities having to absorb losses of up to 5% of their planned 2020/21 sales, fees, and charges income, with 75% of the remaining relevant losses compensated. While some local authorities were able to rely on their reserves to meet the difference, Wirral do not have sufficient reserves available to stand the pressure, and so this was the other area where we required external support.

Wirral has been allocated a total of £672k as part of the Reopening High Streets Safely (£286k) and Welcome Back (£386) Funds from the European Regional Development Fund.

This will support the safe return to high streets and help build back from the pandemic. This funding will help to create and promote a safe environment for local trade and tourism as the economy begins to fully reopen and recover. This funding is being used to develop plans to respond to the impact of Covid-19 on local economies and will tie in with other funding streams and regeneration plans as detailed below.

### [Birkenhead 2040 Framework](#)

The Birkenhead 2040 Framework has been developed over the last 12 months and sets out a programme of regeneration which stretches along Wirral's Mersey waterfront from New Brighton to New Ferry – Wirral's Leftbank. The Framework is a key element of the emerging Local Plan and proposes the re-use of brownfield-land as a catalyst for growth in Birkenhead in a way that has not been seen since the inter-war period. The Framework provides the context for the developments that are planned and those which are already coming forward at Wirral Waters and in Birkenhead Town Centre. £25m has been secured through the Future High Streets Fund; £8.3m to remove two flyovers which have formed a "concrete collar" blighting the town for years and an ambitious Town Fund bid has been submitted to Government.

### [The Birkenhead Commercial District](#)

The regeneration of Birkenhead town centre took a huge leap forward this year with not only the submission of a multi-use planning application delivering some 1.5m square feet of proposed development but it also saw the successful acquisition and subsequent demolition of Milton Pavements to make way for the first phase of development, 150,000 square feet of Grade A, BREEAM excellent commercial office space. Public and statutory consultation continued to take place during this period and the Wirral Growth Company eagerly await the planning decision to kick start the physical development in earnest.



The full extent of the plans will come forward over the next 15 years and will continue to be led by the Wirral Growth Company, a 50:50 partnership between the Council and Town



Centre regeneration specialists Muse Developments. The Partnership Business Plan sets out the proposed initial Phase 1 priorities for the Growth Company however, the planning application identifies the comprehensive regeneration plans for this major part of Birkenhead Town Centre which is set to deliver further office space, Retail and

Leisure floorspace – including a new energy efficient bespoke market hall, leisure building, hotel and more than 600 residential units which will undoubtedly continue to yield a major step change for Birkenhead.

#### Wirral Waters

The plans and ambitions for Wirral Waters remain unchanged. As a 'place-led', 'jobs driven' regeneration project, the vision is for a highly sustainable and healthier, mixed use, mixed income project that is 'of Wirral' providing a counterpoint to Liverpool. It is a catalyst for 'repopulating Birkenhead' as recognised in the emerging Local Plan.

Work has now commenced on the first new homes in Wirral Waters, within the Northbank neighbourhood, East Float. Major reclamation and public realm works have been undertaken following a £6m HIF grant from Homes England, together with the Council led improvement programme to the surrounding infrastructure and the creation of high-quality active travel corridors. Peel L&P, working in partnership with the Council are aiming to deliver a distinctive £100m development, currently known as Legacy, later in 2021. This high-quality phased build to rent residential project, consists of 500 one and two-bedroom apartments, and includes 100 affordable homes. The development will include dock edge walkways, gardens, and terraces for residents as well as better pedestrian and cycling connectivity. Adjacent to Legacy work has already commenced on the first phase of new modular homes as part of a 350 home Joint Venture between Peel L&P and Urban Splash. Later in 2021 work will commence on the Belong Care Village, a specialist facility comprising 72 care spaces and 34 independent living apartments. By 2024/25 the plan is to develop approximately 1,000 new homes in this neighbourhood.

The Four Bridges neighbourhood, East Float, is focused around Tower Road. Building upon the success of the Wirral Met College, infrastructure in the form of a high quality £3m



civilised street scheme has now completed to provide the high-quality public realm to encourage new investment. Construction also began in December 2020 on a new Grade A highly sustainable business hub, Hythe, the first speculative office development in Birkenhead for a decade, offering over 25,000 square feet of flexible, high-quality office space for local businesses.

Building on this success, the Council has recently approved Wirral Waters Investment Fund (WWIF) grants for both Maritime Knowledge Hub (MKH) (the former hydraulic tower) and Egerton Village, both located on Tower Road within the Four Bridges Neighbourhood. The £23m Maritime Knowledge Hub will be an architectural beacon at the very heart of Wirral Waters, built around the iconic Grade 2 listed building. The Council working in partnership with Peel, MKH will be developed to help provide a solution to the industrial skills shortage in the Liverpool City Region and will provide a national base for marine engineering, professional services, research and development, knowledge creation and survival training, as well as offering business accelerator space and conference facilities to the marine sector and to the local business community. Egerton Village is a new, low carbon 14,671sqft gateway community, amenity and arts facility located on Tower Road, developed by Peel.



In West Float plans for Marine, Energy and Automotive Park (MEA Park) are gathering pace. Peel's plans and ambitions for the centre point of MEA Park, the former Mobil building, have grown and developed. Working in close collaboration with the Combined Authority, and the Manufacturing Technology Centre (MTC), the plan is to bring a centre of excellence in Modern Methods of Construction to the area. MEA Park Phase 2, a B1/B2/B8 (industrial and logistics) supply chain project, has been granted funding through the WWIF and is due to be on site later in 2021.

MEA park has also been included within the recently announced Freeport for Wirral Waters and the City Region. Under the LCR Freeport designation, the MEA Park neighbourhood and Northside area of Wirral Waters will become a Tax Site with a focus on supply chains, manufacturing, logistics and innovation, aligning with the Wirral Waters masterplan with

East Float continuing to be developed out for sustainable waterside residential, educational, commercial and leisure uses.

#### Pooled Budgets

In line with policy requirements, Wirral NHS Clinical Commissioning Group (CCG) 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 revenue budget in 2020/21 was £127m, which included £53m of Better Care Funding.

A new Integrated Care System will come into force, potentially from April 2022, which will result in the abolition of CCGs. This will have a future impact on pooled budgets, although the detail of how this will be managed is currently under review.

#### 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 £1.300bn and liabilities of £1.797bn. The net change in the scheme for 2020/21 was an increase reduction of the liability by £79.3m. Most of this movement relates to the change in financial assumptions.

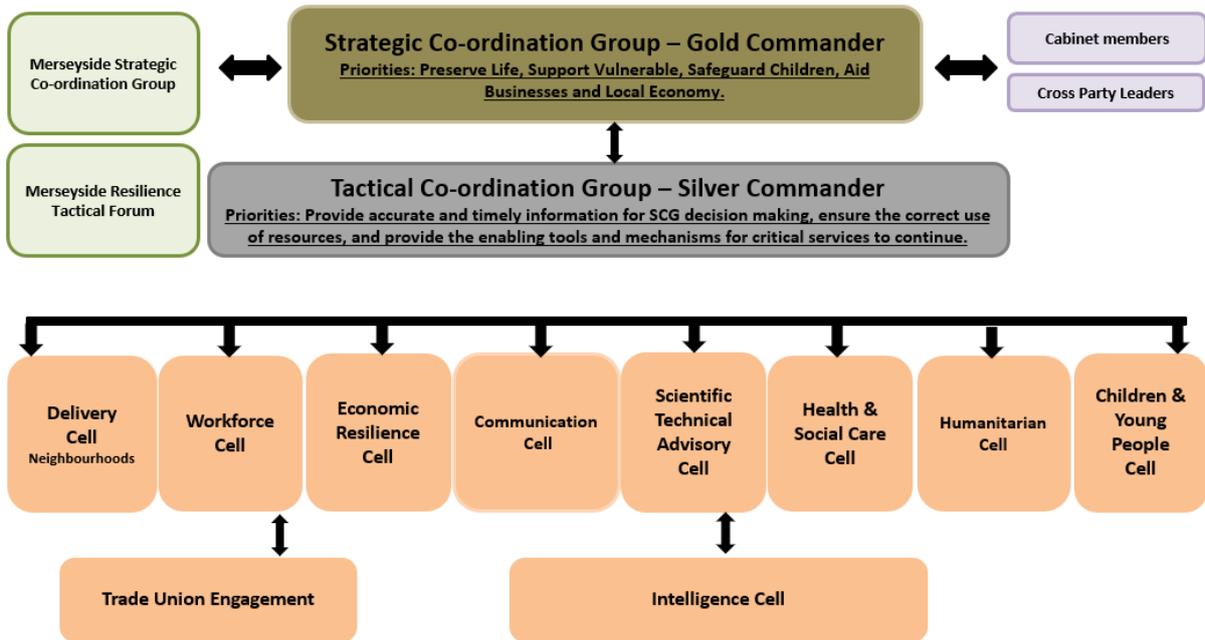
#### 4. Key Outcomes

As outlined above, the social, economic, and political landscape in the borough has significantly changed during 2020 and the Wirral Plan 2025 is now being refreshed to take account of these changes.

Along with virtually the entire population and all business in all sectors, the year has been dominated by the Coronavirus pandemic. As such performance against the Wirral plan pledged and priorities has not been monitored in the usual way as staff and services across the Council adapted to working in new ways, providing services differently, and responding to new pressures.

At the outset of the Coronavirus pandemic, a structure of interlinking 'Covid Cells' was assembled to formulate, co-ordinate, monitor and report on the Council's response to the pandemic, as well as responding to emerging issues.

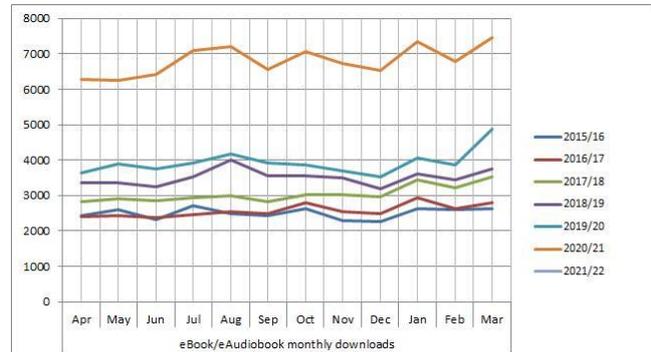
The structure is outlined in the diagram below, with each cell having a designated Chair, Vice Chair, Administrator and Communications lead, as well as containing officers with relevant knowledge and expertise as well as representation from Finance, HR, and Comms. Each cell met regularly, with some cells meeting daily in the early stages, with weekly summary reports produced.



The following highlights just some of the key activities during the year around Wirral's response to the Covid-19 pandemic.

## Libraries

During 2020-21 due to libraries closing as a result of the pandemic, like many services the Library Service has had to adapt to changing working environments, expanding and further promoting its online offer. This includes access to eBooks and eAudiobooks via two online apps, with issues increasing by 73% from the previous year, with nearly 35,000 issues more than in 2019/20.



As well as online book issues, a variety of online reference material was available, and several online sessions were created and facilitated such as virtual book clubs, a virtual Lego club and virtual Storytime and virtual bounce and rhyme events.

Click and collect loans were also made available once buildings were able to reopen with Covid secure restrictions in place.

## Covid Helpline

A helpline, manned by a new team of a mixture of staff from across several service areas which had closed due to covid, was set up to manage residents' queries relating to the impact of Coronavirus. This covered a range of subjects from emergency support enquiries (on things such as food, fuel, financial issues, and Local Welfare Assistance) safeguarding and government guidance on Covid-19, to emergency accommodation and homelessness queries and enquiries about test and trace and a whole range of other issues. From its creation on 23rd March 2021 to 31st March 2021 a total of 23,581 calls were taken on the helpline.

The Council's 'InfoBank website was also there to match the needs of residents with local sources of support during the Coronavirus pandemic - including connecting people with faith groups, guiding people on how to volunteer in the community, and signposting to up-to-date national health information.

## Leisure Services



With the closure of leisure centres during the lockdowns, many leisure classes were live streamed via Facebook, with a total of 1,535 classes streamed during 2020/21 with the public watching 31,460 of streamed classes. The Leisure Services social media platforms gained 5,080 followers during the year including 1,620 in April 2020 alone at the start of the first lockdown.

Although unable to open to the public for large parts of

the year, and not being able to fully reopen at any point of the year the leisure centres were used for a variety of purposes during the year:

- Bidston tennis centre – was utilised as the central food hub/distribution centre and PPE storage facility.
- Woodchurch is being used as a vaccination centre.
- The Oval was a central testing site and is now being used as a vaccination centre.
- Europa pools and West Kirby have been used as sites for mobile testing units and West Kirby has also been used as a food storage base.
- Leasowe has been used in lockdown 3 as a food hub.

Although several leisure staff have been working throughout the pandemic going into sites daily to undertake facility checks and preparation works ready for reopening, and setting up and delivering the online programme, Leisure staff have been widely deployed to support roles across the organisation to support the Covid response. This includes work as Team Leaders, trainers, call centre operatives, distribution as part of the food hub, marshals at test sites, admin support for grant payments as well as a range of other roles.

## Food Hub

At the commencement of the first national lockdown there were significant concerns about access to food for Wirral's most vulnerable households. Critical issues included fewer public donations of food, less 'waste' available from supermarkets due to panic buying, disruption in the key food supply chains and competing demands for the supply chains available.

Wirral Emergency Food Hub was created, led by the Council in partnership with several local organisations and community food providers across the borough. This saw the food supply chains for the crisis response directed through a central Hub, located at Bidston Tennis Centre, to benefit from economies of scale and bulk purchasing power and a centralised referral process created for emergency support.



Limited resources were coordinated, given the temporary closure of much community-based provision. The Hub ceased at the end of July 2020 and was reinstated in partnership with Wirral Foodbank between January and March 2021 due to the further national lockdown and reinstatement of the government requirement for Clinically Extremely Vulnerable individuals to 'shield'.



The emergency response throughout the year also included financial support with food, fuel (gas/electric), white goods, furniture, and other essential items.

From 30 March 2020 – 31 March 2021 over 20,000 emergency food hampers were provided and over 7,800 financial awards made.

The Emergency Food Hub also

teamed up with Feeding Birkenhead's Pink Box campaign to help women get essential menstrual protection during the Coronavirus pandemic, distributing packets of products to local women.



## Personal Protective Equipment (PPE)

At the start of the Pandemic there was a severe shortage of Personal Protective Equipment (PPE). While the armed forces set up logistics operations to supply hospitals, local authorities were tasked with supplying the Care Sector, Schools and CCGs. The shortage of PPE meant that supplies needed to be quickly distributed, failure would mean the closure of Care Homes and lead to the deaths of our most vulnerable.

Wirral Council set up a PPE Logistics Hub for both the Wirral and the Liverpool City Region which has been at the centre of the region's efforts to distribute PPE to key workers and care homes across Merseyside. 30 volunteers and staff worked in the PPE hub, which

operated 24 hours a day 7 days a week to ensure that supplies of PPE were distributed the same day they were required.

During 2020/21 the PPE Hub:

- Distributed over 3 million items of PPE, via 1,950 deliveries to Care Homes and settings in Wirral.
- Distributed over 9 million items of PPE to Local Authorities and CCGs in the Liverpool City Region.
- Arranged for the collection & distributions of 4 million items of PPE that had been donated by local businesses or purchased through the PPE Hub.
- Supported over 500 organisations ensuring that no Care Home or School ran out of PPE or needed to close in the Liverpool City Regions.

Also, through the PPE Logistics Hub 1,064 laptops and 147 routers were distributed to Wirral school children that required them for distance learning. The PPE Hub also worked with Community Health and Care NHS Foundation Trust and Merseyside Fire Service to distribute 27 pallets of personal care items and tea, donated by Unilever, to Wirral Care Homes.

#### Business Grants

During 2020/21 there have been several different grant funding streams from Government offering financial support to businesses across Wirral to help minimise the financial impact of the various periods of lockdown. A new team was created with individuals from across the Council dedicated to distributing the grants.

Up to 31<sup>st</sup> March 2021, the headline figures were as follows:

- Small Business Grant Fund / Retail Hospitality and Leisure Grant Fund (April to September 2020) paid out £49,970,000 via 4,364 payments to businesses.
- Local Authority Discretionary Grant Fund (June 2020) paid out £2,637,750 via 338 payments to businesses.
- Local Restrictions Support Grant (Closed) (October 2020 to March 2021) paid out £12,539,349 via 6,786 payments to businesses.
- Closed Business Lockdown Payments (January to March 2021) paid out £8,927,000 via 1,997 payments to businesses.
- Christmas Support Payments (December 2020 to March 2021) paid out £136,000 via 136 payments to businesses.
- Additional Restrictions Grant, received from the Combined Authority, paid out £5,169,865 via 3,320 payments to businesses.
- Local Restrictions Support Grant (Open) paid out £1,753,650 via 519 payments to businesses.

In summary 17,460 payments have been made to support businesses in Wirral between April 2020 and March 2021 totaling £81,133,614.

## Transport

Taxi firms, and drivers who would usually be transporting children to schools or residents to day centres, have teamed up to drive emergency food parcels to vulnerable residents across Wirral.

Some have also been delivering breakfasts, lunches and meals and other food supplies to families on behalf of local schools. This invaluable humanitarian work demonstrates an unwavering commitment to helping others during this crisis.

## Lifelong Learning

After suspending face-to-face courses due to Coronavirus, Wirral Lifelong Learning service took all of its classes online in just a few short weeks allowing them to continue offering learning opportunities for residents. A new timetable was created, with a broad range of subjects on offer, including Maths, English, Digital Skills, ESOL, mental health and wellbeing, and more.

The Lifelong Learning Service provides first-rung learning opportunities to adults with few, low or no qualifications. More than 3,000 learners take its high quality, affordable courses each year - helping them to get back to work, learn new skills, volunteer, and develop their confidence.

## “Thank You NHS”

In conjunction with a local contractor who carried out the work free of charge some road markings we applied to thank NHS staff on behalf of the community.



## New Brighton Rainbow

Our Parks and Countryside team have been busy over the last two days marking the grass at the New Brighton Dips with a message to thank NHS staff and key workers. The 100m long message, made using line marking paint for football pitches, aimed to help provide a reminder of the huge amount of thanks and gratitude the whole borough is showing towards them.



## 5. Summary of Financial Performance for 2020/21

### 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 2020, the Council agreed a net budget of £304.7m for 2020/21.

The net spend of the Council is met from a combination of government grants, Council Tax, Business Rates and other income. In 2020/21, the Council Tax band D charge was £1,895.58, an increase of 4.99% 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 monthly to maintain an approach of robust financial management to ensure the maintenance of services.

The table below shows the budget and actual spend for each directorate as 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.

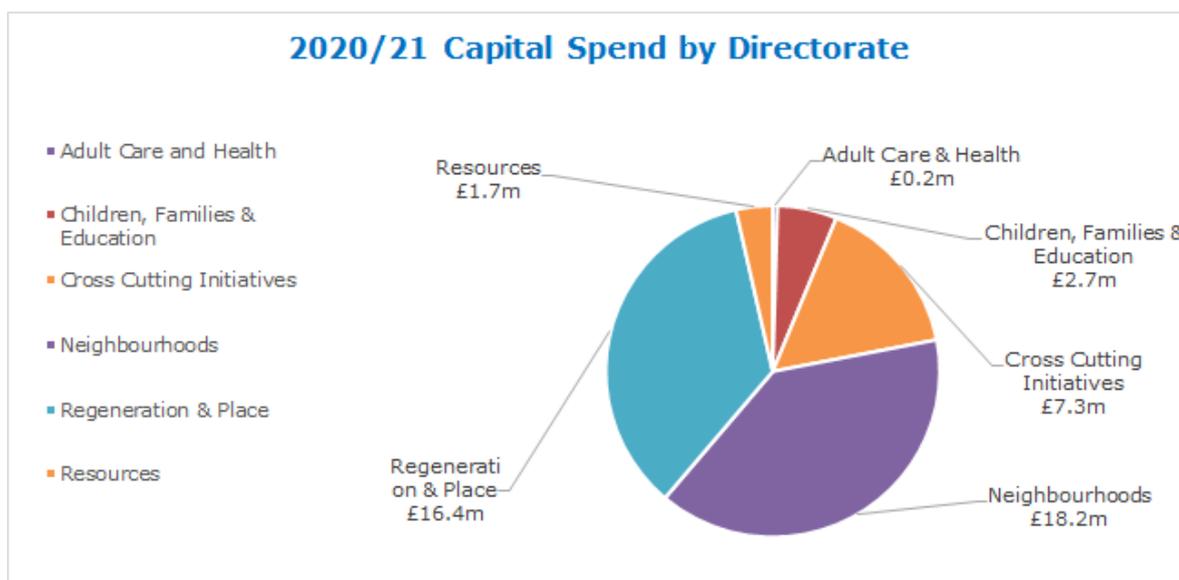
In 2020/21 the Council reported an adverse variance of £13.3m within Directorates, which is reduced to £2.2m by government compensation for the loss of sales, fees and charges income as a result of the Covid-19 pandemic, which also had some impact on capital receipts raised resulting in a total adverse variance of £6.5m. Exceptional financial support via the capitalisation directive from MHCLG now results in a balanced forecast position for this financial year.

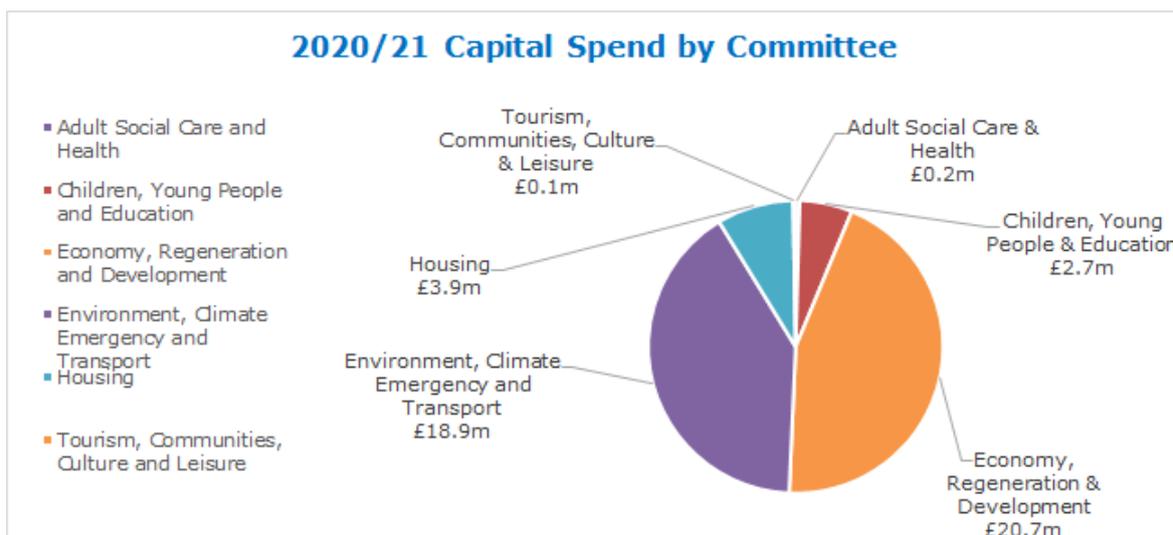
The General Fund balance remains unchanged at £10.676m.

	Budget	Actuals	Variance (over) / under budget
	£000	£000	£000
Chief Executive Office	1,766	1,911	(145)
Resources	27,126	26,358	768
Neighbourhoods	50,987	63,001	(12,014)
Legal and Governance	5,715	6,382	(667)
Regeneration and Place	34,766	34,440	326
Children, Families & Education	83,232	81,825	1,407
Adult Care and Health	106,627	105,525	1,102
Cross Cutting Initiatives	(5,522)	(1,494)	(4,028)
<b>Total Surplus / (Deficit)</b>	<b>304,697</b>	<b>317,948</b>	<b>(13,251)</b>
Sales, Fees, Charges Compensation	0	(11,011)	11,011
<b>Operating Budget Gap</b>	<b>304,697</b>	<b>306,937</b>	<b>(2,240)</b>
Covid-19 Expenditure	46,574	46,574	0
<b>Total Revenue Gap</b>	<b>351,271</b>	<b>353,511</b>	<b>(2,240)</b>
Funding	(304,697)	(300,412)	(4,285)
<b>Total Funding</b>	<b>46,574</b>	<b>53,099</b>	<b>(6,525)</b>
<b>Exceptional Financial Support Required</b>			<b>(6,525)</b>

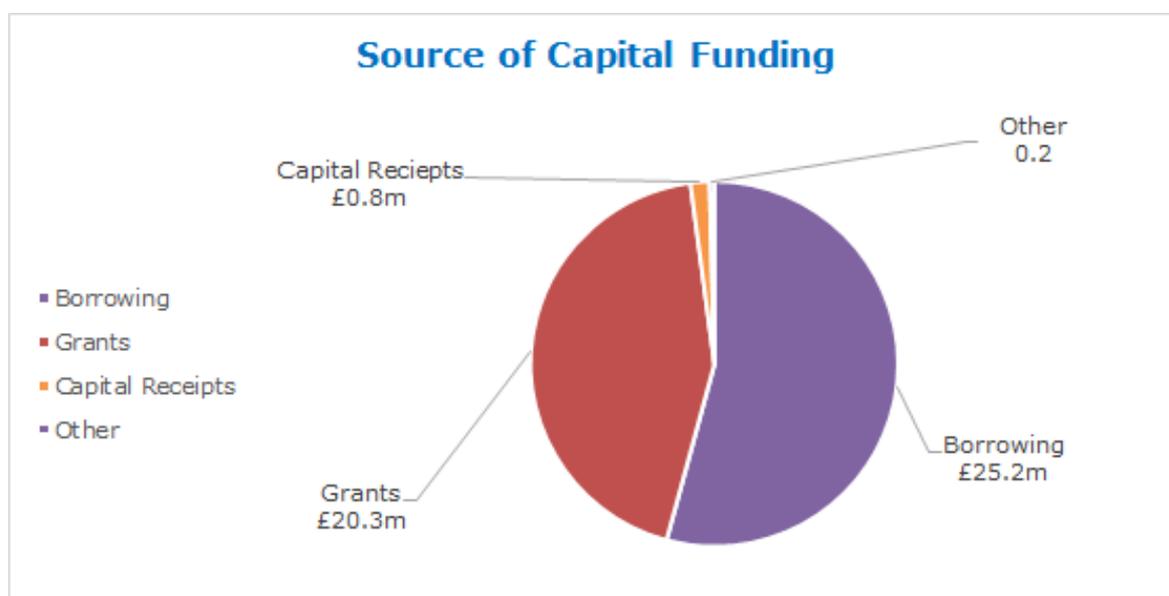
### Capital Expenditure

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 for the period 2021 – 2025 is £177.6m. The capital spend for 2020/21 was £46.5m (2019/20 £40.0m). The following tables show 2020/21 capital spend both by Directorate and by Committee.





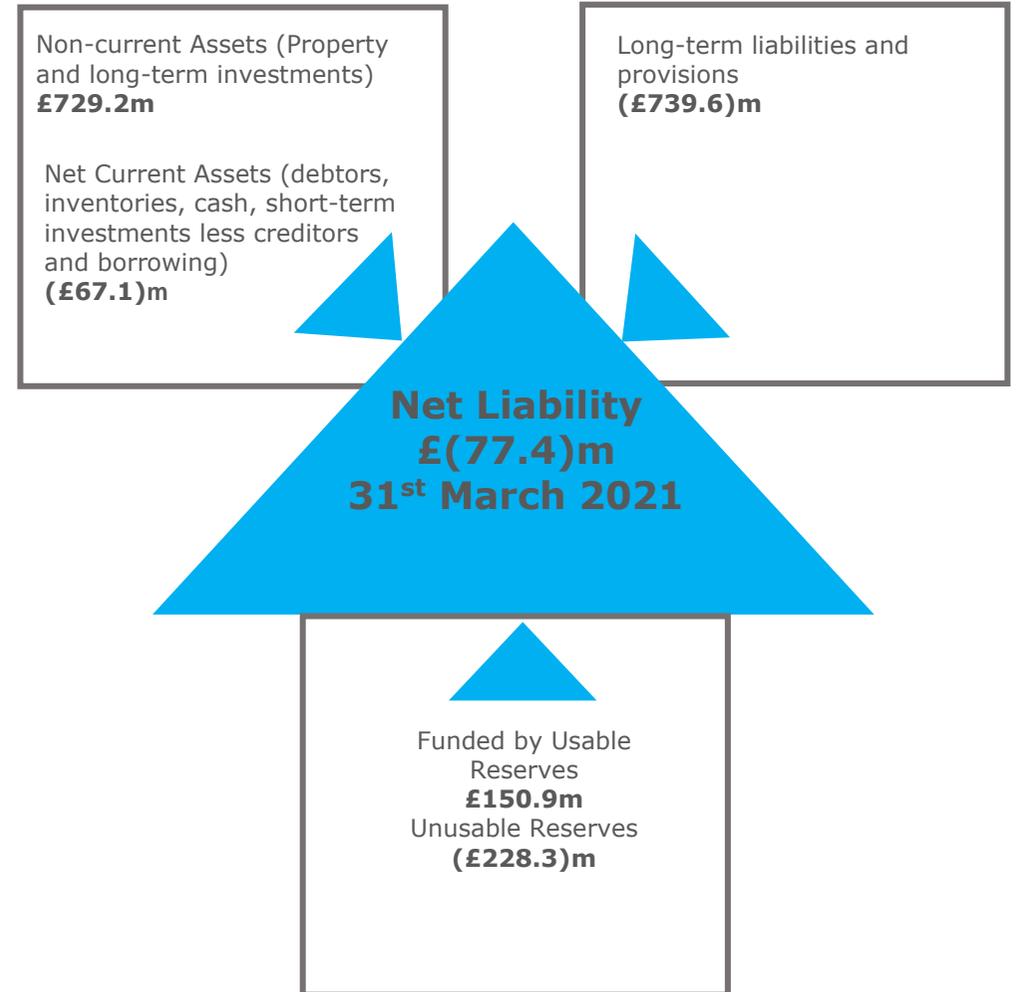
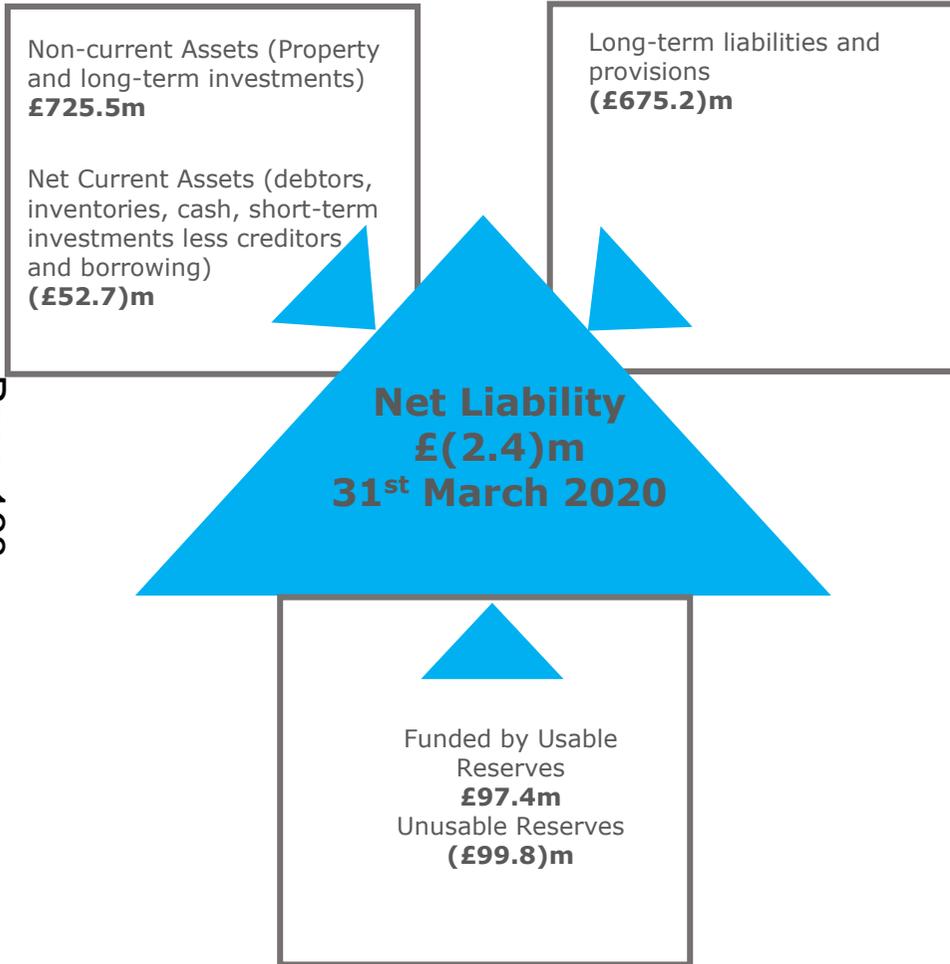
Sources of capital funding are shown in the chart below:



#### 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 2021 is £10.676m, which is in line with but at the lower end of the Council's approved policy to provide a prudent financial safety net for unforeseen events.

The Balance Sheet as at 31 March 2021 shows a net liability of £77.401m (2019/20 £2.410m). The net asset worth of the Council excluding the Pension Liability is £474.181m (2019/20 £469.979m). The movement for 2020/21 of £74.991m is explained in the sections below. The Council has reviewed its financial performance for 2020/21 and the budget for 2021/22 and considers that the Council may be viewed as a going concern.



## Long-Term Assets

	<b>2019/20</b>	<b>2020/21</b>	<b>Change</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, Plant and Equipment	655,993	669,455	13,462
Heritage Assets	14,308	18,411	4,103
Investment Properties	24,680	19,033	(5,647)
Intangible Assets	165	19	(146)
Investments	0	0	0
Debtors	30,356	22,327	(8,029)
<b>Total</b>	<b>725,502</b>	<b>729,245</b>	<b>3,743</b>

The £3.7m increase in Long Term Assets is due to capital expenditure of £31.7m, property and heritage valuations increase of £14.3m, off-set by depreciation and disposals of £34.2m. Long-term debtors have reduced primarily due to the repayment relating to the Merseyside Residual Debt Fund.

The portfolio of investment properties is valued annually, while the property and land within the Property, Plant and Equipment (PPE) note to the account are valued on a short cycle basis, which is a maximum of every five years. The property percentage valued in 2020/21 was 29% and this was to ensure there is no material misstatement in the accounts.

A breakdown of the assets can be found in the Property, Plant and Equipment, Heritage Assets, Investment Properties, and Intangible Assets notes to the accounts.

## Current Assets / Liabilities

	<b>2019/20</b>	<b>2020/21</b>	<b>Change</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Current Assets</b>			
Short-Term Investments	33,185	16,937	(16,248)
Inventories	257	226	(31)
Short-Term Debtors	86,737	89,240	2,503
Cash and Cash Equivalents	53,672	21,270	(32,402)
<b>Total Current Assets</b>	<b>173,851</b>	<b>127,673</b>	<b>(46,178)</b>
<b>Current Liabilities</b>			
Short-Term Borrowing	(146,792)	(101,198)	45,594
Short-Term Creditors	(68,995)	(81,443)	(12,448)
Provisions	(10,798)	(12,084)	(1,286)
<b>Total Current Liabilities</b>	<b>(226,585)</b>	<b>(194,725)</b>	<b>31,860</b>
<b>Total</b>	<b>(52,734)</b>	<b>(67,052)</b>	<b>(14,318)</b>

Total current assets in the Balance Sheet (Investments, debtors including other debtors and cash and cash equivalents) are £127.7m off-set by current liabilities (short term borrowing, creditors and provisions) of £194.7m, giving a net current liability of £67.1m.

Short-term investments have reduced by £16.2m, and cash by £32m largely due to significant cash sums received from MHCLG at the start of the Covid-19 pandemic therefore inflating the level of investments held by the authority in 2019/20, and as this cash has been utilised levels of investment have returned to a more expected level in

2020/21.

At the end of March 2020, the Council took on additional temporary loans to ensure sufficient liquidity due to the increased uncertainty of how the developing Covid-19 situation would affect the availability of temporary cash loans. Throughout 20/21 the temporary loan market had stabilised and additional funding from central government was received, lessening the need for short-term borrowing at the end of 20/21, resulting in a reduction of £45.6m short-term borrowing. Further details can be found in the Financial Instruments note to the accounts.

Creditors have increased by £12.4m and Provisions reduced by £1.3m (see Creditors and Provisions notes to the accounts respectively). These movements generally due to increased suppliers and accruals at year-end and the release of provisions during the year.

#### Long-Term Liabilities

	2019/20	2020/21	Change
	£000	£000	£000
Provisions	(3,227)	(3,444)	(217)
Long-Term Borrowing	(162,340)	(149,434)	12,906
Other Long-Term Liabilities	(36,865)	(34,877)	1,988
Pension Liability	(472,389)	(551,582)	(79,193)
Grants Receipts in Advance - Capital	(357)	(257)	100
<b>Total</b>	<b>(675,178)</b>	<b>(739,594)</b>	<b>(64,416)</b>

The most significant change in long-term liabilities is the increase in the net Pension liability of £79.2m (2019/20 it reduced by £67.0m). This is made up of a £80.0m increase for the Local Government Pension Scheme (LGPS), and a £0.8m reduction on the Unfunded Teachers' element. 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 the Defined Benefit Pension Scheme note to the accounts.

Long-term borrowing has reduced by £12.9m due to the re-categorisation of two long-term loans which become due for repayment in 2021/22.

#### Reserves

The Council holds Usable Reserves of £150.9m (2019/20 £97.4m), consisting of Earmarked Reserves of £114.6m (2019/20 £66.8m), General Fund Balances of £10.7m (2019/20 £10.7m), Capital Receipts £1.2m (2019/20 £0.5m) and Capital Grants Unapplied of £24.4m (2019/20 £19.5m). A breakdown of these can be found in the Usable Reserves note to the accounts.

Earmarked reserves are regularly reviewed to assess their adequacy for the purpose intended and whether they are still required. Movements during 2020/21 are summarised in the table below, with more detail provided in the Transfers to/from Earmarked Reserves note to the accounts.

	Balance at 31 March 2020	Adjust opening balance	Transfers in 2020/21	Transfers out 2020/21	Balance at 31 March 2021
	£000	£000	£000	£000	£000
School Reserves	(7,020)	(1,264)	(6,872)	196	(14,960)
Covid-19 Reserves	(25,219)	0	(63,861)	25,615	(63,465)
Ringfenced Reserves	(10,594)	0	(6,925)	11	(17,508)
Other Reserves	(23,935)	0	(9,436)	14,672	(18,699)
<b>Total Earmarked Reserves</b>	<b>(66,768)</b>	<b>(1,264)</b>	<b>(87,094)</b>	<b>40,494</b>	<b>(114,632)</b>

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 £128.5m is due primarily to the change in pensions liability of £79.2m, and movement on the Collection Fund Adjustment Account of £42.4m. Further information can be found in the Unusable Reserves note and the Collection Fund statement and notes.

## 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 2021. 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 2020/21 (the Code) supported by International Financial Reporting Standards (IFRS).

For 2020/21 the Council has adopted a capitalisation directive policy. In October 2020, the Council requested for exceptional financial support (capitalisation directive) from the Ministry of Housing, Communities and Local Government (MHCLG) to enable a balanced budget to be reported for 2020/21 and 2021/22. The Ministry have approved a capitalisation directive up to a maximum value of £9m for 2020/21, subject to conditions.

This directs the Council to treat as capital expenditure, expenditure which is either:

- Revenue expenditure and meets the definition of an additional cost pressure as identified and agreed with MHCLG through the Council's formal request for exceptional financial support; or
- Any revenue expenditure not exceeding the value of income losses in the financial period 2020/21 as identified and agreed with MHCLG through the application.

The costs that can be capitalised are expenditure costs as they are incurred, the Council will charge a Minimum Revenue Provision (MRP) over the life of the assets, no more than 20 years. Where capital financing is increased as a result of the capitalisation directive, further borrowing will be obtained from the PWLB (Public Works Loan Board) and charged interest at 1% higher than the loan would otherwise be subject to.

In addition, the accruals threshold for income and expenditure is increased from £1,000 to £5,000 for any individual debtor or creditor.

The Council reviews annually any interests in companies and other entities for any financial arrangements that may require the production of Group Accounts. In 2020/21 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 2020/21.
- **Statement of Responsibilities for the Statement of Accounts** details the responsibilities of the Council and of the Director of Resources (S151).
- **Independent Auditor's Report**, is the Council external Auditor's report to Members of Wirral Council including the conclusion of arrangements for securing Value for Money. This will be added to the Statement of Accounts following completion of the audit by our external auditors Grant Thornton.

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

1. **Comprehensive Income and Expenditure Statement**, which shows all income and expenditure for the Council during 2020/21;
2. **Movement in Reserves Statement**, which shows the movement during the year on the different reserves that the Council holds;
3. **Balance Sheet**, which shows the financial standing of the Council at 31 March 2021, summarising 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** provide 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.
- The **Merseyside Pension Fund Accounts** covering 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 which 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.

## 7. Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues, from the Finance team and other services, who have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

Shaer Halewood  
Chief Finance Officer  
Director of Resources  
S151 Officer

## 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.
- 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.
- Complied with the Code of Practice.

The Chief Financial Officer has also:

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

### 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 2021 and its income and expenditure for the year then ended.

Signed by Shaer Halewood  
Chief Finance Officer  
Director of Resources (S151 Officer)  
XX, 2021

Independent Auditor's Report

Independent auditor's report to the members of Wirral Council

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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 Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to, or from, Earmarked Reserves undertaken by the Council.

The opening balance has been adjusted to reflect an amendment to The Local Authorities (Capital Finance and Accounting) Regulations 2020, which states where a Local Authority has a deficit in respect of its schools budget it must be charged to an account used solely for the purpose of recognising deficits in respect of its schools' budget. The closing 2019/20 schools budget deficit has therefore been transferred from earmarked reserves to a dedicated account within Unusable Reserves.

	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
<b>Balance at 31 March 2020</b>	(10,676)	(66,768)	<b>(77,444)</b>	(513)	(19,453)	<b>(97,410)</b>	99,820	<b>2,410</b>
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	0	(1,265)	<b>(1,265)</b>	0	0	<b>(1,265)</b>	1,265	<b>0</b>
<b>Revised balance at 1 April 2020</b>	<b>(10,676)</b>	<b>(68,033)</b>	<b>(78,709)</b>	<b>(513)</b>	<b>(19,453)</b>	<b>(98,675)</b>	<b>101,085</b>	<b>2,410</b>
<b>Movement in reserves during 2020/21</b>								
Surplus or deficit on the provision of services	45,622	0	<b>45,622</b>	0	0	<b>45,622</b>	0	<b>45,622</b>
Other Comprehensive Income / Expenditure	0	0	<b>0</b>	0	0	<b>0</b>	29,369	<b>29,369</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>45,622</b>	<b>0</b>	<b>45,622</b>	<b>0</b>	<b>0</b>	<b>45,622</b>	<b>29,369</b>	<b>74,991</b>
Adjustments between accounting basis and funding basis under regulations	(93,378)	0	<b>(93,378)</b>	(677)	(3,819)	<b>(97,874)</b>	97,874	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(47,756)</b>	<b>0</b>	<b>(47,756)</b>	<b>(677)</b>	<b>(3,819)</b>	<b>(52,252)</b>	<b>127,243</b>	<b>74,991</b>
Transfers to / from Earmarked Reserves	47,756	(46,599)	<b>1,157</b>	0	(1,157)	<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2020/21</b>	<b>0</b>	<b>(46,599)</b>	<b>(46,599)</b>	<b>(677)</b>	<b>(4,976)</b>	<b>(52,252)</b>	<b>127,243</b>	<b>74,991</b>
<b>Balance at 31 March 2021</b>	<b>(10,676)</b>	<b>(114,632)</b>	<b>(125,308)</b>	<b>(1,190)</b>	<b>(24,429)</b>	<b>(150,927)</b>	<b>228,328</b>	<b>77,401</b>

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

## 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 2019/20 have been restated and re-presented to be in line with the Directorate format adopted by the Council for monitoring financial performance during 2020/21 (see Restatement of 2019/20 CIES note).

2019/20 (restated)			2020/21		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
1,812	(136)	1,676	1,987	(16)	1,971
109	(220)	(111)	34,285	(29,949)	4,336
119,941	(111,158)	8,783	132,610	(102,773)	29,837
95,244	(28,319)	66,925	81,887	(17,379)	64,508
8,905	(2,601)	6,304	8,531	(1,029)	7,502
42,620	(12,012)	30,608	38,334	(9,687)	28,647
329,191	(234,218)	94,973	334,478	(246,314)	88,164
183,736	(92,648)	91,088	180,332	(87,935)	92,397
(471)	(3,579)	(4,050)	325	(4,866)	(4,541)
<b>781,087</b>	<b>(484,891)</b>	<b>296,196</b>	<b>812,769</b>	<b>(499,948)</b>	<b>312,821</b>
		<b>Cost of Services</b>			
41,312	0	41,312	43,367	0	43,367
56,690	(3,770)	52,920	34,363	(509)	33,854
0	(334,651)	(334,651)	0	(344,420)	(344,420)
<b>879,089</b>	<b>(823,312)</b>	<b>55,777</b>	<b>890,499</b>	<b>(844,877)</b>	<b>45,622</b>
		<b>Surplus or Deficit on Provision of Services</b>			
		(46,549)			(25,312)
		Surplus or deficit on revaluation of Property, Plant and Equipment			
		Surplus or deficit on revaluation of available for sale financial assets and			
		326 financial instruments at fair value through other comprehensive income			4
		and expenditure			
		(98,467)			54,677
		Remeasurement of the net defined benefit liability / asset			
		<b>(144,690)</b>			<b>29,369</b>
		<b>Other Comprehensive Income and Expenditure</b>			
		<b>(88,913)</b>			<b>74,991</b>
		<b>Total Comprehensive Income and Expenditure</b>			

## 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.'

<b>31 March 2020</b>			<b>31 March 2021</b>
<b>£000</b>	<b>Notes</b>		<b>£000</b>
655,993	14	Property, Plant and Equipment	669,455
14,308	15	Heritage Assets	18,411
24,680	16	Investment Property	19,033
165	17	Intangible Assets	19
0	18	Long-Term Investments	0
30,356	18	Long-Term Debtors	22,327
<b>725,502</b>		<b>Long Term Assets</b>	<b>729,245</b>
33,185	18	Short-Term Investments	16,937
257		Inventories	226
86,737	19	Short-Term Debtors	89,240
53,672	21	Cash and Cash Equivalents	21,270
<b>173,851</b>		<b>Current Assets</b>	<b>127,673</b>
(146,792)	18 & 29	Short-Term Borrowing	(101,198)
(68,995)	22	Short-Term Creditors	(81,443)
(10,798)	23	Provisions	(12,084)
<b>(226,585)</b>		<b>Current Liabilities</b>	<b>(194,725)</b>
(3,227)	23	Provisions	(3,444)
(162,340)	18 & 29	Long-Term Borrowing	(149,434)
(36,865)	18, 22 & 29	Other Long-Term Liabilities	(34,877)
(472,389)	42	Pension Liability	(551,582)
(357)	36	Grants Receipts in Advance - Capital	(257)
<b>(675,178)</b>		<b>Long Term Liabilities</b>	<b>(739,594)</b>
<b>(2,410)</b>		<b>Net Assets</b>	<b>(77,401)</b>
(97,410)	24	Usable Reserves	(150,927)
99,820	25	Unusable Reserves	228,328
<b>2,410</b>		<b>Total Reserves</b>	<b>77,401</b>

## 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.

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>	<b>Notes</b>	<b>£000</b>
<b>55,777</b>	<b>Net (surplus) or deficit on the provision of services</b>	<b>45,622</b>
(72,004)	26 Adjustment to surplus or deficit on the provision of services for noncash movements	(83,501)
28,315	26 Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	25,582
<b>12,088</b>	<b>Net cash flows from operating activities</b>	<b>(12,297)</b>
63,238	27 Net cash flows from investing activities	(15,558)
(48,509)	28 Net cash flows from financing activities	(4,547)
<b>26,817</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(32,402)</b>
26,855	Cash and cash equivalents at the beginning of the reporting period	53,672
<b>53,672</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>21,270</b>



# 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 2020/21 financial year and its position at the year-end of 31st March 2021. 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 2020/21, these practices are 'The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21' ('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 2021 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 £5,000 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 in its 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 useable 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 Capitalisation Directive

In October 2020, the Council requested for exceptional financial support (capitalisation directive) from the Ministry of Housing, Communities and Local Government (MHCLG) to enable a balanced budget to be reported for 2020/21 and 2021/22. The Ministry have approved a capitalisation direction up to a maximum value of £9m for 2020/21, subject to conditions.

This directs the Council to treat as capital expenditure, expenditure which is either:

- Revenue expenditure and meets the definition of an additional cost pressure as identified and agreed with MHCLG through the Council's formal request for exceptional financial support; or
- Any revenue expenditure not exceeding the value of income losses in the financial period 2020/21 as identified and agreed with MHCLG through the application.

The costs that can be capitalised are expenditure costs as they are incurred, the Council will charge a Minimum Revenue Provision (MRP) over the life of the assets, no more than 20 years. Where capital financing is increased as a result of the capitalisation directive, further borrowing will be obtained from the PWLB (Public Works Loan Board) and charged interest at 1% higher than the loan would otherwise be subject to.

#### 5.0 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.

#### 6.0 Employee Benefits

##### 6.1 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.

## 6.2 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.

## 6.3 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)
  - The LGPS (Management and Investment of Funds) Regulations 2016

Post-employment benefits are accounted for in accordance with International Account 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;
  - 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;
- 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.

## 7.0 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);
- 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 for details.

## 8.0 Fair Value Measurement

Some non-financial assets such as Investment Properties and surplus assets are measured at fair value and its 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 Council 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 Council 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 Council 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;
- Level 3 – Unobservable inputs

## 9.0 Financial Instruments

### 9.1 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.

### 9.2 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.

### 9.3 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).

### 9.4 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)
- 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.

### 9.5 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.

### 9.6 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.

### 9.7 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.

#### 9.8 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 note is required.

#### 9.9 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;
- 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.

#### 10.0 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, 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, 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.

#### 11.0 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 Notes 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.

## 12.0 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 Council 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.

## 13.0 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.

### 13.1 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.

### 13.2 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.

### 14.0 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.

## 15. Non-Current Assets

### 15.1 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; properties held solely for the purpose of generating a financial return (see Investment Property Note) and those held primarily for their contribution to knowledge and culture (see Heritage Assets Note).

### 15.2 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 essential to the operation of the Council or its services;
- Assets under construction – those currently being built, and not available for use in providing services in the current accounting year

### 15.3 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
- 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:

<b>Asset class</b>	<b>Accounting Basis in CIES</b>
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 are 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.

#### 15.4 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.

#### 15.5 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.

#### 15.6 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
- 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;
- 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.

### 15.7 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 useable 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.

### 15.8 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
- 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.

### 15.9 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.

### 15.10 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.

### 15.11 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 exceeds the capital threshold of £10,000. Intangible assets are reviewed for impairment at the end of the first full financial year following operation.

### 16.0 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
- 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).

### 17.0 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 2020/21.

## 18.0 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 Council 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)
- **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.

## 19.0 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.

## 20.0 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 "useable" or "unusable". Useable 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 useable resources.

## 21.0 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.

## 22.0 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.

## 23.0 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) 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 following changes have been identified:

### Impact of BREXIT

The UK ceased to be a member of the European Union on 31st January 2021 with a transition period ending on 31st December 2020. Having previously used International Accounting Standards (IASs) in preparing their consolidated financial statements, applicable entities must apply UK adopted IASs for periods commencing on or after the end of the transition period. As the 2020/21 reporting period overlaps the end of the transition period, Wirral Council has opted to apply the new UK-adopted IFRSs from 31st December 2020 in addition to the EU adopted IFRS for 2020/21, while from the period beginning 1st April 2021 the Council must apply IFRS in accordance with UK-adopted IFRS.

### Changes to Accounting Standards

The following changes to IFRSs apply, but are not yet endorsed for use in the EU or UK as at 31<sup>st</sup> March 2021:

- Covid-19 related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16, effective on or after 1 April 2021).
- Interest Rate Benchmark Reform phases one and two (IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16, effective on or after 1<sup>st</sup> April 2021).
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16, effective on or after 1 January 2022).
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37, effective on or after 1 January 2022).
- Updates to the Conceptual Framework (Amendments to IFRS 3, relating to the definition of the term 'business', effective on or after 1 January 2022).
- Annual Improvements 2018-2020 Cycle, making amendments to the following standards (effective on or after 1 January 2022):
  - IFRS 1 First-time Adoption of IFRSs.
  - IFRS 9 Financial Instruments.
  - IAS 41 Agriculture.
  - IFRS 16 Leases - Lease incentives.
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1, effective on or after 1 January 2023).

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2, effective on or after 1 January 2023).
- Definition of Accounting Estimates (Amendments to IAS 8, effective on or after 1 January 2023).
- IFRS 17: Insurance Contracts (effective on or after 1st January 2023).

The various changes above are considered relatively minor updates to the accounting standards framework as it applies to the Council, and none are assessed to have a material impact on this Statement of Accounts.

#### [IFRS 16: Leases \(effective on or after 1st April 2022\)](#)

IFRS 16 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 £1.5m (£2.1m 2019/20), further details can be found in the Leases note to the accounts. This is applicable when either the authority or group companies are the lessee.

### 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 undertaken a robust review of its finances and secured a capitalisation direction from Ministry Housing Communities Local Government (MHCLG) and HM Treasury and has determined that the Council is not impaired as a result.

#### Going Concern

In March 2021 the Council approved a budget for 2021/22 and were provided with an indicative budget for the following four years. At the time the budget was approved the Council was forecasting a surplus of £25.2m over the period 2021-26. The Council had submitted a request for exceptional financial support to HM Treasury via MHCLG which was evaluated by Local Government Association (LGA), in March confirmation was received that the application for exceptional support was approved to a sum not exceeding of £9m for 2020/21 and a conditional offer was provided of a further £10.7m for 2021/22.

At 31 March 2021 the councils achieved a balanced budget with general fund reserves of £10.7m which is in line with, but at the lower of its agreed levels and earmarked reserves of £114.6m, of which £63.5m are Covid-19 related including compensation for Business Rates reliefs and Local Income Tax losses. It is projected that Earmarked reserves by the end of 2021/22 should be in the region of £54m and the general fund remaining static at £10.7m.

The Council is closely monitoring the budget position and where necessary taking corrective action to ensure a balanced position is maintained for 2021/22 and 2022/23. Work has been on-going as part of the budget process to identify income and savings and reduce cost pressures, which will continue to be reviewed. During 2021 the Change Programme along with other saving initiatives, if approved, are planned to generate savings of £24.6m.

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 and coming out of 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 may 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 monitor and report the impact of Covid-19. At this stage, with the nation coming out of a third lockdown, it is difficult to do with any degree of certainty but there may be an on-going financial pressure on the Council even after the Government's emergency Covid-19 funding is taken into account. During 2021/22 in the approved budget, £100k of reserve release was used to underpin the Council's budget. This has

been forecast in 2022/23 as being reversed and therefore has no longer term impact. Any further use of earmarked reserves in year, will be for the purpose they are held for and will be one-off in nature.

The Council is constantly monitoring the impact of Covid-19 and is working through the implementation of 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 reported a forecast that shows a surplus.

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 March 2022 takes into account the impacts of Covid-19, which carries a degree of estimation, however there are not believed 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. The facilities to borrow and how we borrow are continuously monitored, and 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 at 31 March 2021 was £101.2m, of which £85m was peer to peer borrowing.

#### 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 two operational companies; Wirral Evolutions Ltd and Wirral Holdings Ltd, and two operational joint ventures/Partnership; Edsential Community Interest Company and Wirral Growth Company Limited Liability Partnership (LLP). There are two dormant companies Wirral Growth Company Nominee and Wirral Holding Ltd. For 2020/21 the Council did not have any interests it considers material in the form of both quotative and qualitative measures and therefore, the Council has only produced accounts on a single entity basis rather than group accounts. 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.

#### 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.

## 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.

School's 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.

Where schools 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 during 2020/21 and there are no pending conversions.

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	49	49	
Secondary	2	2	
Special	11	11	
Foundation Schools	2	0	2
Voluntary Controlled	4	1	3
Voluntary Aided	24	5	19
Academies	30		30
	<b>125</b>	<b>71</b>	<b>54</b>
		<b>71 Schools on Balance Sheet</b>	<b>54 Schools not on Balance Sheet</b>

## 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 2021 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 +/- £4.9m 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. £0.6m across operational land and building assets.

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence are returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

- 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 and reflects best advice on reasonable judgements at 31 March 2021.

### 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 £142.4m.

During the year, the Council's actuaries advised that the net pensions liability remeasurements had increased by £208.6m 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 and are reflected in the IAS 19 assets and liabilities set out in the Defined Benefit Pension Scheme note. Below are some key issues and risks that have been identified by the Merseyside Pension Fund.

### 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.

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 2020/21 the property valuation is not reported as being subject to "material valuation uncertainty" as defined by VPS 3 and VPGA 10 of the RICS valuation - Global Standards. In 2019/20, due to COVID-19, the property valuation was reported on the basis of 'material valuation uncertainty' and stated consequently, less certainty, and a higher degree of caution should be attached to the valuation than normally would be the case.

For 2020/21 there remains 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 misstated. The valuations have been updated based upon the available information as at 31 March 2021 and maybe subject to variations as further information becomes available.

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).

- **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 notes. 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 +/- £24.3m.

- **Business Rates**

#### Uncertainty

The Council which is part of the Liverpool City Region 100% Business Rates Retention Pilot, of which in 2020/21 the Council retained 99% (£71.7m) 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 £7.2m. In response to the COVID-19 pandemic, Central Government announced a number of Business Rates reliefs, for which Councils were compensated through additional grants, and these reliefs have been extended until July 2021. However, the long-term impact of COVID-19 on business rates is uncertain at this stage. In response to the pandemic Wirral granted a three-month deferral on rates bills, and recovery action through the courts was suspended despite virtual courts being in operation since January 2021. Such recovery action will resume from May 2021 although the longer-term impact is unclear and as more business fail then the loss of business rates income could fall significantly.

- **Debt Impairment**

#### Uncertainty

If collection rates or recovery of debtor and loans were to deteriorate an increase in the amount of the impairment would be required.

#### Effect if uncollected debt changes

At 31st March 2021, the Council had a debtors and specific loans of (short and long term) of £149.2m. A review of significant balances suggested that an impairment of expected credit losses of £40.2m was appropriate.

#### Note 5 - Material Items of Income and Expense

Exceptional items are ones that fall within the ordinary activities of the Council but are material in terms of the Council's overall expenditure and not expected to recur frequently or regularly. Exceptional items are included on the face of the Comprehensive Income and Expenditure Statement (CIES) where it is felt that the costs are so significant as to warrant a separate disclosure.

The Council has reported the sale of Rock Ferry High during the year, with a loss on disposal of £3m and the transfer of one school (Brackenwood Junior) to an Academy with a loss on disposal of £3m.

The Council has also received significant COVID grant support in 2020/21 to the figure of £193.6m. This figure is broken down in the Grant note.

#### Note 6 - Events After the Balance Sheet Date

Relevant events after the balance sheet date have been considered up to 9 July 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

A former academy Emslie Morgan at The Solar Campus closed, however, the surrender of the lease back to the Council did not occur until after 31<sup>st</sup> March 2021 and therefore not reported in the Councils balance sheet as a tangible asset. The value of the property depending on the valuation methodology (which is determined by its use) could range from a Depreciated Replacement Cost (DRC) of £3.7m to an existing value in use of £500k.

The Coronavirus pandemic continues to have 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. The Council continues to monitor and report the impact of Covid-19. At this stage, with the nation coming out of a third lockdown, it is difficult to do with any degree of certainty but there may be an on-going financial pressure on the Council even after the Government's emergency Covid-19 funding is taken into account.

## 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 2019/20 figures have been restated to reflect the Directorate structure reported on during 2020/21.

2019/20 (restated)			2020/21		
Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
1,532	144	1,676	1,793	178	1,971
(112)	1	(111)	4,336	0	4,336
19,893	(11,110)	8,783	29,686	151	29,837
45,881	21,044	66,925	49,676	14,832	64,508
6,142	162	6,304	7,242	260	7,502
16,421	14,187	30,608	15,448	13,199	28,647
73,223	21,750	94,973	70,508	17,656	88,164
87,601	3,487	91,088	91,708	688	92,396
(1,529)	(2,521)	(4,050)	(9,641)	5,100	(4,541)
<b>249,052</b>	<b>47,144</b>	<b>296,196</b>	<b>260,756</b>	<b>52,064</b>	<b>312,820</b>
(256,276)	15,857	(240,419)	(308,513)	41,314	(267,199)
<b>(7,224)</b>	<b>63,001</b>	<b>55,777</b>	<b>(47,757)</b>	<b>93,378</b>	<b>45,621</b>
(70,219)			(78,709)		
(7,225)			(47,756)		
			1,157		
<b>(77,444)</b>			<b>(125,308)</b>		

## Note 7a - Note to the Expenditure and Funding Analysis

	2020/21			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Chief Executive Officer	5	173	0	178
Covid-19	0	0	0	0
Resources	(2,373)	2,660	(136)	151
Neighbourhood Services	11,930	2,902	0	14,832
Law & Governance	6	254	0	260
Regeneration & Place	12,164	1,035	0	13,199
Children, Families & Education	9,789	7,452	415	17,656
Adults Care and Health and Strategic	362	326	0	688
Corporate	7,507	(2,407)	0	5,100
<b>Net Cost of Services</b>	<b>39,390</b>	<b>12,395</b>	<b>279</b>	<b>52,064</b>
Other Income and Expenditure	(12,696)	11,694	42,316	41,314
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>26,694</b>	<b>24,089</b>	<b>42,595</b>	<b>93,378</b>

	2019/20 (restated)			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Chief Executive Officer	80	64	0	144
Covid-19	0	1	0	1
Resources	(12,532)	1,422	0	(11,110)
Neighbourhood Services	19,209	1,835	0	21,044
Law & Governance	8	154	0	162
Regeneration & Place	13,621	566	0	14,187
Children, Families & Education	17,184	4,566	0	21,750
Adults Care and Health and Strategic Commissioning	3,261	226	0	3,487
Corporate	0	(2,521)	0	(2,521)
<b>Net Cost of Services</b>	<b>40,831</b>	<b>6,313</b>	<b>0</b>	<b>47,144</b>
Other Income and Expenditure	8,248	13,207	(5,598)	15,857
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>49,079</b>	<b>19,520</b>	<b>(5,598)</b>	<b>63,001</b>

## 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.

2020/21	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>				
Pension cost (transferred to (or from) the Pensions Reserve)	24,516	0	0	(24,516)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(238)	0	0	238
Council tax and NDR (transfers to or from the Collection Fund)	42,417	0	0	(42,417)
Holiday pay (transferred to the Accumulated Absences reserve)	(427)	0	0	427
In-year Dedicated Schools Grant (DSG) deficit (transferred to DSG Adjustment Account)	414	0	0	(414)
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)	48,700	135	0	(48,835)
<b>Total Adjustments to Revenue Resources</b>	<b>115,382</b>	<b>135</b>	<b>0</b>	<b>(115,517)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,326)	1,326	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	(906)	0	0	906
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(6,716)	0	0	6,716
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(99)	0	0	99
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(9,047)</b>	<b>5,795</b>	<b>0</b>	<b>3,252</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	(784)	0	784
Write off MRDF receipt to LT debtors	0	(4,469)	0	4,469
Application of capital grants to finance capital expenditure	(12,957)	0	3,819	9,138
<b>Total Adjustments to Capital Resources</b>	<b>(12,957)</b>	<b>(5,253)</b>	<b>3,819</b>	<b>14,391</b>
<b>Total Adjustments</b>	<b>93,378</b>	<b>677</b>	<b>3,819</b>	<b>(97,874)</b>

2019/20	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>				
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)
<b>Total Adjustments to Revenue Resources</b>	<b>88,995</b>	<b>96</b>	<b>0</b>	<b>(89,091)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
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
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(13,885)</b>	<b>12,277</b>	<b>0</b>	<b>1,608</b>
<b>Adjustments to Capital Resources</b>				
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
<b>Total Adjustments to Capital Resources</b>	<b>(12,108)</b>	<b>(12,781)</b>	<b>3,201</b>	<b>21,688</b>
<b>Total Adjustments</b>	<b>63,002</b>	<b>(408)</b>	<b>3,201</b>	<b>(65,795)</b>

## 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 2020/21 and 2019/20. The reserves held at 31st March 2021 include £63.465m of funding relating to the emergency response associated with COVID-19. This is made up of the NNDR Section 31 Grants reserves of £33.430m, £3.839m for the Local Income Tax Guarantee, and the Covid-19 Emergency Fund and other Covid-19 grants totalling of £26.196m.

As a result of a regulation change, where there is a deficit on the Dedicated Schools Grant (DSG), it must be held in a separate account specifically for that deficit from 1st April 2020 rather than in an earmarked reserve. As Wirral's DSG moved from a surplus to a deficit position in 2019/20, the opening 2020/21 has therefore been adjusted to reflect this transfer to the Dedicated Schools Grant Adjustment Account (see unusable reserves note).

Following a review of earmarked reserves during 2020/21, several reserves were assessed as being able to be diverted into other areas. These reserves, totalling £4.3m have therefore been transferred into the Financial Resilience reserve to fund exit payments for staff to enable permanent savings can be made from 2021/22.

	Balance at 1 April 2019 £000	Transfers in 2019/20 £000	Transfers out 2019/20 £000	Balance at 31 March 2020 £000	Adjust opening balance £000	Transfers in 2020/21 £000	Transfers out 2020/21 £000	Balance at 31 March 2021 £000
<b>School Reserves</b>								
School Balances	(8,890)	(151)	1,118	(7,923)	0	(5,649)	91	(13,481)
School Improvement	0	0	0	0	0	(723)	0	(723)
Schools Causing Concern	0	0	0	0	0	(500)	0	(500)
Schools Capital Schemes	(364)	(5)	8	(361)	0	0	105	(256)
Dedicated Schools Grant	(2,209)	(8)	3,481	1,264	(1,264)	0	0	0
<b>Total Schools Reserves</b>	<b>(11,463)</b>	<b>(164)</b>	<b>4,607</b>	<b>(7,020)</b>	<b>(1,264)</b>	<b>(6,872)</b>	<b>196</b>	<b>(14,960)</b>
<b>Covid-19 Reserves</b>								
NNDR Section 31 Grants	0	(13,357)	0	(13,357)	0	(33,430)	13,357	(33,430)
Covid-19 reserves	0	(11,862)	0	(11,862)	0	(26,592)	12,258	(26,196)
Local Income Tax Guarantee	0	0	0	0	0	(3,839)	0	(3,839)
<b>Total Covid-19 Reserves</b>	<b>0</b>	<b>(25,219)</b>	<b>0</b>	<b>(25,219)</b>	<b>0</b>	<b>(63,861)</b>	<b>25,615</b>	<b>(63,465)</b>
<b>Ringfenced Reserves</b>								
Insurance Fund	(8,557)	(137)	0	(8,694)	0	(751)	0	(9,445)
Public Health Outcomes	(2,247)	0	1,043	(1,204)	0	(2,489)	11	(3,682)
Champs Innovation Fund	(806)	0	110	(696)	0	(1,723)	0	(2,419)
Champs Contact Tracing	0	0	0	0	0	(1,962)	0	(1,962)
<b>Total Ringfenced Reserves</b>	<b>(11,610)</b>	<b>(137)</b>	<b>1,153</b>	<b>(10,594)</b>	<b>0</b>	<b>(6,925)</b>	<b>11</b>	<b>(17,508)</b>
<b>Other Reserves</b>								
Business Rates Equalisation	(8,675)	0	4,011	(4,664)	0	0	0	(4,664)
Financial Resilience	(2,643)	(857)	2,643	(857)	0	(4,901)	3,065	(2,693)
Financial Instrument Equalisation	(2,128)	0	1	(2,127)	0	0	1	(2,126)
Termination Payments	0	0	0	0	0	(1,000)	0	(1,000)
Regeneration & Inward Investment	(285)	0	0	(285)	0	(278)	0	(563)
Community Safety Initiatives	(407)	0	0	(407)	0	(172)	24	(555)
Selective Licensing	(538)	0	0	(538)	0	0	0	(538)
Intensive Family Intervention	(667)	0	167	(500)	0	(231)	226	(505)
Enterprise Zone Investment	(328)	(100)	25	(403)	0	(81)	2	(482)
H & S Flood Prevention	(520)	0	16	(504)	0	0	49	(455)
Asset Consolidation	0	0	0	0	0	(444)	0	(444)
Urban Development Corporation	0	0	0	0	0	(420)	0	(420)
Parks Tree Maintenance	(876)	0	277	(599)	0	(28)	253	(374)
Environmental Health	0	0	0	0	0	(300)	0	(300)
Wirral Ways to Work	(467)	(11)	101	(377)	0	0	104	(273)
Building Control	(242)	0	0	(242)	0	(112)	93	(261)
Corporate Priorities	0	(3,981)	0	(3,981)	0	0	3,981	0
Housing Benefit	(2,154)	0	187	(1,967)	0	0	1,967	0
Waste Development Fund	(2,170)	0	1,109	(1,061)	0	0	1,061	0
S106 - David Wilson Homes	(498)	0	0	(498)	0	0	498	0
Local Development Framework	(1,078)	(271)	956	(393)	0	0	393	0
Section 106 - Bloor Homes	(339)	0	0	(339)	0	0	339	0
Human Resources Reserve	(297)	0	0	(297)	0	0	297	0
Collection Fund	(2,000)	0	2,000	0	0	0	0	0
Economic Market Risk	(1,000)	0	1,000	0	0	0	0	0
Other reserves	(9,167)	(1,749)	7,020	(3,896)	0	(1,469)	2,319	(3,046)
<b>Total Other Reserves</b>	<b>(36,479)</b>	<b>(6,969)</b>	<b>19,513</b>	<b>(23,935)</b>	<b>0</b>	<b>(9,436)</b>	<b>14,672</b>	<b>(18,699)</b>
<b>Total Earmarked Reserves</b>	<b>(59,552)</b>	<b>(32,489)</b>	<b>25,273</b>	<b>(66,768)</b>	<b>(1,264)</b>	<b>(87,094)</b>	<b>40,494</b>	<b>(114,632)</b>

## NNDR Section 31 Grants

Section 31 Grants are received to compensate Local Authorities for Business Rates reliefs applied to bills because 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 and were subsequently released back to fund 2020/21 expenditure. Additional Business Rates reliefs were awarded during 2020/21 in response to the Covid-19 pandemic with Council's receiving S31 grants to compensate for the loss. These will be held in reserve to fund Wirral's share of the resulting Collection Fund deficit in future years.

## Covid-19 Reserves

Since the start of the Covid-19 pandemic various streams of funding have been received from Central Government to support various initiatives as part of the response and recovery. Some of these grants have not yet been fully utilised and are therefore held in reserve to offset against related expenditure in 2021/22 as follows:

	<b>Balance at 31 March 2021</b>
<b>Covid-19 Reserves</b>	<b>£000</b>
Covid-19 emergency fund	(11,879)
Public Health Test & Trace Contain Outbreak Management Fund	(9,469)
Hardship Fund	(2,139)
Test and Trace Service Support	(1,230)
Hospitality & Leisure Support Grant	(858)
Test & Trace Contain Outbreak Management Fund - Enforcement	(285)
Clinically Extremely Vulnerable (CEV)	(252)
LA Practical Support for Those Self-Isolating	(83)
Local Restriction Support Grants	(1)
<b>Total Covid reserves</b>	<b>(26,196)</b>

## 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.

### Local Income Tax Guarantee

This reserve is accrued income relating to Council Tax and Business Rates income lost during 2020-21 as a result of the Covid-19 pandemic. This will be used in future years to offset the impact of Collection Fund deficits on the General Fund.

### Corporate Priorities

Some new reserves agreed in 2019/20 were held centrally in a Corporate Priorities Reserve until further details could be provided before they were agreed to be drawn down. Once received, these reserves were transferred into the relevant departmental area.

### 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.

### 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.

### School Balances

These are earmarked for use purely by the schools. The balance consists of 84 maintained schools with a combined surplus balance of £15.7m, partially offset by 12 maintained schools with a combined deficit balance of £2.2m.

### Schools Causing Concern

There is a risk to the Council that if schools with a deficit balance are forced to convert to Academy status, their deficit may be left with the Local Authority to fund. As there are currently 12 maintained schools with a deficit balance, this reserve has therefore been created to mitigate this risk.

### Financial Resilience

The Council's Medium Term Financial Strategy shows that there are further future financial pressures. It is prudent to retain a reserve that is specifically designed so that future spending reductions can be implemented in a planned and efficient fashion. This reserve will serve this purpose and provide a smoothing mechanism to offset in-year pressures that materialise higher than anticipated until permanent solutions can be found in the following year.

### Champs Innovation Fund

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

## Termination Payments

This reserve will be used to fund severance payments to employees who leave in 2021/22 via an Early Voluntary Retirement or Voluntary Severance agreement.

## Champs Contact Tracing

This is ring fenced Public Health Covid grant which will fund the continuing costs of the Track & Trace Hub.

## Note 10 - Other Operating Expenditure

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

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
39,377	Levies	40,033
1,360	Gains/losses on the Disposal of Non-Current Assets	2,730
575	Other	604
<b>41,312</b>	<b>Total Other Operating Expenditure</b>	<b>43,367</b>

## Note 11 - Financing and Investment Income and Expenditure

One school, Brackenwood Junior School, transferred to Academy status during 2020/21, with a net loss on transfer of £3.0m.

In 2019/20 two high schools became academies. This generated a loss on transfer of £30.4m.

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
13,578	Interest payable and similar charges	14,297
12,632	Net interest on the net defined benefit liability (asset)	11,030
(568)	Interest receivable and similar income	(290)
(3,083)	Changes in fair value and profit or loss on the disposal of investment properties	5,760
(118)	Income and expenditure in relation to investment properties	(118)
30,411	Loss on disposal of interest in Academy Schools	2,986
68	Other investment income and expenditure	291
0	Unrealised (gains) or losses on financial assets held at fair value through profit or loss transferred to unusable reserve	(102)
<b>52,920</b>	<b>Total</b>	<b>33,854</b>

## 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.

In response to the Covid-19 pandemic, the government announced in March 2020 a series of Business Rates reliefs for local businesses, which Local Authorities would be compensated for via Section 31 grants. This resulted in the Business Rates income to be significantly lower than in previous years, while the related non-ringfenced S31 grants were higher than usual (although £13.4m of the 2020/21 Business Rates reliefs S31 grants were received in advance and recognised in 2019/20).

The 2020/21 non-ringfenced government grants also includes a series of support grants in response to the Covid-19 pandemic, including a further £17.5m for tranches 2-4 of the Covid-19 Emergency Support fund initially received in 2019/20. This was to support Local Authorities with additional cost pressures resulting from the pandemic.

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(142,460)	Council tax income	(147,992)
(120,265)	Non-domestic rates income and expenditure	(84,986)
(51,414)	Non-ringfenced government grants	(87,143)
(20,440)	Capital grants and contributions	(24,256)
(72)	Other tax or non-specific grant income / expenditure	(43)
<b>(334,651)</b>	<b>Total</b>	<b>(344,420)</b>

## Note 13 - Expenditure and Income Analysed by Nature

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>	<b>Nature of Expenditure or Income</b>	<b>£000</b>
(166,367)	Fees, charges and other service income	(123,261)
(568)	Interest and investment income	(251)
(262,725)	Income from local taxation	(232,978)
(391,099)	Government grants and contributions	(488,522)
(118)	Other income	(259)
268,776	Employee benefits expenses	281,088
485,737	Other service expenses	506,061
27,292	Depreciation, amortisation and impairment	26,303
26,210	Interest payments	25,327
39,377	Precepts and levies	40,033
28,687	Gain or loss on disposal of non-current assets	11,476
575	Other expenditure	604
<b>55,777</b>	<b>Surplus or Deficit for Year</b>	<b>45,621</b>

Expenditure and Income Analysis by Directorate 2020-21	Chief Executive Officer	Covid-19	Resources	Neighbourhood Services	Law & Governance	Regeneration & Place	Children, Families & Education	Adults Care and Health and Strategic Commissioning	Corporate	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>											
Employee benefits expenses	1,943	2,703	34,692	34,066	4,349	13,214	184,590	5,537	-6	0	281,088
Other service expenses	39	31,581	96,915	35,685	4,175	21,389	141,704	174,420	152	0	506,060
Depreciation, amortisation and impairment	5	0	1,004	12,136	6	4,416	8,184	374	179	0	26,304
Interest payments	0	0	0	0	0	0	0	0	0	25,328	25,328
Precepts and levies	0	0	149	17,760	0	22,123	0	0	0	0	40,032
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	0	0	0	11,475	11,475
Other expenditure	0	0	0	0	0	0	0	0	0	604	604
<b>Total Expenditure</b>	<b>1,987</b>	<b>34,284</b>	<b>132,760</b>	<b>99,647</b>	<b>8,530</b>	<b>61,142</b>	<b>334,478</b>	<b>180,331</b>	<b>325</b>	<b>37,407</b>	<b>890,891</b>
<b>Income</b>											
Fees, charges and other service income											
<i>Non IFRS 15</i>	(16)	2,155	(11,038)	(17,379)	(1,029)	(8,794)	(44,722)	(37,573)	(4,866)	0	(123,262)
<i>IFRS 15</i>	0	0	0	0	0	0	0	0	0	0	0
<b>Total Fees, chares and other service income</b>	<b>(16)</b>	<b>2,155</b>	<b>(11,038)</b>	<b>(17,379)</b>	<b>(1,029)</b>	<b>(8,794)</b>	<b>(44,722)</b>	<b>(37,573)</b>	<b>(4,866)</b>	<b>0</b>	<b>(123,262)</b>
Interest and investment income	0	0	0	0	0	0	0	0	0	(251)	(251)
Income from local taxation	0	0	0	0	0	0	0	0	0	(232,977)	(232,977)
Government grants and contributions	0	(32,104)	(91,734)	0	0	(1,286)	(201,592)	(50,363)	0	(111,442)	(488,521)
Other income	0	0	0	0	0	0	0	0	0	(259)	(259)
<b>Total Income</b>	<b>(16)</b>	<b>(29,949)</b>	<b>(102,772)</b>	<b>(17,379)</b>	<b>(1,029)</b>	<b>(10,080)</b>	<b>(246,314)</b>	<b>(87,936)</b>	<b>(4,866)</b>	<b>(344,929)</b>	<b>(845,270)</b>
<b>Surplus or Deficit for Year</b>	<b>1,971</b>	<b>4,335</b>	<b>29,988</b>	<b>82,268</b>	<b>7,501</b>	<b>51,062</b>	<b>88,164</b>	<b>92,395</b>	<b>(4,541)</b>	<b>(307,522)</b>	<b>45,621</b>

Expenditure and Income Analysis by Directorate 2019-20	Chief Executive Officer	Covid-19	Resources	Neighbourhood Services	Law & Governance	Regeneration & Place	Children, Families & Education	Adults Care and Health and Strategic Commissioning	Corporate	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>											
Employee benefits expenses	1,441	1	28,923	35,590	4,263	11,967	179,368	7,231	(8)	0	268,776
Other service expenses	332	108	108,250	41,086	4,635	23,114	132,895	175,780	(463)	0	485,737
Depreciation, amortisation and impairment	38	0	17(232)	18,568	6	8,256	16,929	727	0	0	27,292
Interest payments	0	0	0	0	0	0	0	0	0	26,210	26,210
Precepts and levies	0	0	164	17,477	0	21,736	0	0	0	0	39,377
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	0	0	0	28,687	28,687
Other expenditure	0	0	0	0	0	0	0	0	0	575	575
<b>Total Expenditure</b>	<b>1,811</b>	<b>109</b>	<b>120,105</b>	<b>112,721</b>	<b>8,904</b>	<b>65,073</b>	<b>329,192</b>	<b>183,738</b>	<b>(471)</b>	<b>55,472</b>	<b>876,654</b>
<b>Income</b>											
Fees, charges and other service income											
<i>Non IFRS 15</i>										0	0
<i>IFRS 15</i>	(136)	(220)	12(561)	28(319)	2(601)	11(239)	46(161)	61(551)	3(579)	0	166(367)
<b>Total Fees, chares and other service income</b>	<b>(136)</b>	<b>(220)</b>	<b>12(561)</b>	<b>28(319)</b>	<b>2(601)</b>	<b>11(239)</b>	<b>46(161)</b>	<b>61(551)</b>	<b>3(579)</b>	<b>0</b>	<b>166(367)</b>
Interest and investment income	0	0	0	0	0	0	0	0	0	(568)	(568)
Income from local taxation	0	0	0	0	0	0	0	0	0	262(725)	262(725)
Government grants and contributions	0	0	98(596)	0	0	1(423)	188(056)	31(097)	0	71(927)	391(099)
Other income	0	0	0	0	0	0	0	0	0	(118)	(118)
<b>Total Income</b>	<b>(136)</b>	<b>(220)</b>	<b>111(157)</b>	<b>28(319)</b>	<b>2(601)</b>	<b>12(662)</b>	<b>234(217)</b>	<b>92(648)</b>	<b>3(579)</b>	<b>335(338)</b>	<b>820(877)</b>
<b>Surplus or Deficit for Year</b>	<b>1,675</b>	<b>(111)</b>	<b>8,948</b>	<b>84,402</b>	<b>6,303</b>	<b>52,411</b>	<b>94,975</b>	<b>91,090</b>	<b>4(050)</b>	<b>279(866)</b>	<b>55,777</b>

\* Income figure £0.39m higher (and corresponding expenditure figure lower) than the CIES due to Other investment income and expenditure being shown net in the CIES and gross in note

## Note 14 - Property, Plant and Equipment

### Movements to 31 March 2021

	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
<b>Cost or Valuation at 1 April 2020</b>	<b>473,002</b>	<b>43,222</b>	<b>192,654</b>	<b>28,320</b>	<b>10,246</b>	<b>4,080</b>	<b>751,524</b>
<i>Adjustments to cost/value &amp; depreciation/impairment</i>							
Additions	4,400	674	18,422	269	116	7,769	31,650
Revaluation increases/(decreases) recognised in the Revaluation Reserve	12,531	0	0	0	382	0	12,913
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,243)	0	0	0	14	0	(7,229)
Derecognition – disposals	(3,072)	(5,460)	0	0	(4,203)	0	(12,735)
Reclassifications and transfer	177	97	(377)	(5)	942	(947)	(113)
<b>at 31 March 2021</b>	<b>479,795</b>	<b>38,533</b>	<b>210,699</b>	<b>28,584</b>	<b>7,497</b>	<b>10,902</b>	<b>776,010</b>
<b>Accumulated Depreciation and Impairment at 1 April 2020</b>	<b>(1,673)</b>	<b>(28,721)</b>	<b>(65,070)</b>	<b>0</b>	<b>(67)</b>	<b>0</b>	<b>(95,531)</b>
<i>Adjustments to cost/value &amp; depreciation/impairment</i>							
Depreciation charge	(15,175)	(3,258)	(7,700)	0	(13)	10	(26,136)
Depreciation written out to the Revaluation Reserve	8,283	0	0	0	13	0	8,296
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,009	0	0	0	0	0	2,009
Derecognition – disposals	85	4,740	0	0	0	0	4,825
Reclassifications and transfer	(91)	16	0	0	67	(10)	(18)
<b>at 31 March 2021</b>	<b>(6,562)</b>	<b>(27,223)</b>	<b>(72,770)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(106,555)</b>
<b>Net Book Value</b>							
<b>at 31 March 2021</b>	<b>473,233</b>	<b>11,310</b>	<b>137,929</b>	<b>28,584</b>	<b>7,497</b>	<b>10,902</b>	<b>669,455</b>
<b>at 31 March 2020</b>	<b>471,329</b>	<b>14,501</b>	<b>127,584</b>	<b>28,320</b>	<b>10,179</b>	<b>4,080</b>	<b>655,993</b>

	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
<b>Cost or Valuation at 1 April 2019</b>	<b>484,421</b>	<b>40,324</b>	<b>181,098</b>	<b>27,443</b>	<b>11,168</b>	<b>3,267</b>	<b>747,721</b>
<i>Adjustments to cost/value &amp; depreciation/impairment</i>							
Additions	6,730	2,898	11,556	685	125	2,675	24,669
Donations	0	0	0	0	0	0	0
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)
Derecognition – other	0	0	0	0	0	0	0
Reclassifications and transfer	1,718	0	0	192	472	(1,862)	520
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0
<b>at 31 March 2020</b>	<b>473,002</b>	<b>43,222</b>	<b>192,654</b>	<b>28,320</b>	<b>10,246</b>	<b>4,080</b>	<b>751,524</b>
<b>Accumulated Depreciation and Impairment at 1 April 2019</b>	<b>(19,648)</b>	<b>(25,162)</b>	<b>(58,358)</b>	<b>0</b>	<b>(66)</b>	<b>0</b>	<b>(103,234)</b>
<i>Adjustments to cost/value &amp; depreciation/impairment</i>							
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
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – disposals	482	0	0	0	0	0	482
Derecognition – other	0	0	0	0	0	0	0
Reclassifications and transfers	0	0	0	0	0	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
<b>at 31 March 2020</b>	<b>(1,673)</b>	<b>(28,721)</b>	<b>(65,070)</b>	<b>0</b>	<b>(67)</b>	<b>0</b>	<b>(95,531)</b>
<b>Net Book Value</b>							
<b>at 31 March 2020</b>	<b>471,329</b>	<b>14,501</b>	<b>127,584</b>	<b>28,320</b>	<b>10,179</b>	<b>4,080</b>	<b>655,993</b>
<b>at 31 March 2019</b>	<b>464,773</b>	<b>15,162</b>	<b>122,740</b>	<b>27,443</b>	<b>11,102</b>	<b>3,267</b>	<b>644,487</b>

During 2020/21, one school (Brackenwood Junior School) transferred out of Local Authority control to an Academy and therefore the land and building assets have been derecognised. In addition, a number of vehicles, plant, furniture and equipment assets have been derecognised following a comprehensive review of the existence of the assets during the year. Further, one significant surplus asset was derecognised following its sale in the year, the Rock Ferry High School site for £1.2m.

As at 31st March 2021, capital commitments outstanding for the acquisition of items of Property, Plant and Equipment totaled £11.2m (£13.5m in 2019/20).

## 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 2020/21, 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, for example leisure centres and schools, have been revalued irrespective of when the last valuation was undertaken.

The effective date of the valuation exercise for 2020/21 was 31st March 2021.

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

<b>Class of Asset</b>	<b>Useful life (Years)</b>
Land	Indeterminable
Buildings	1 to 80
Vehicles, Plant, Furniture and Equipment	1 to 40
Infrastructure	10 to 120
Surplus Assets	3 to 24, or indeterminable

## Valuation Uncertainty

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence are returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

## 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.

	<b>Other Land and Buildings</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost	<b>176,360</b>	<b>150</b>	<b>176,510</b>
Valued at current value as at:			
31/03/2021	444,536	7,497	<b>452,033</b>
31/03/2020	13,115	0	<b>13,115</b>
31/03/2019	6,220	0	<b>6,220</b>
31/03/2018	5,608	0	<b>5,608</b>
31/03/2017	10,316	0	<b>10,316</b>
<b>Total Cost or Valuation</b>	<b>479,795</b>	<b>7,497</b>	<b>487,292</b>

## Note 15 - Heritage Assets

A reconciliation of the carrying value of Heritage Assets held follows below:

<b>2020/21</b>	<b>Decorative Arts</b>	<b>Buildings</b>	<b>Civic Regalia</b>	<b>Transport</b>	<b>Fine Art</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Balance</b>	<b>3,130</b>	<b>757</b>	<b>441</b>	<b>490</b>	<b>9,490</b>	<b>14,308</b>
<b>Revaluations</b>	<b>1,288</b>	<b>0</b>	<b>13</b>	<b>598</b>	<b>2,204</b>	<b>4,103</b>
<b>Closing Balance</b>	<b>4,418</b>	<b>757</b>	<b>454</b>	<b>1,088</b>	<b>11,694</b>	<b>18,411</b>
<b>Proceeds of Sale</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>2019/20</b>	<b>Decorative Arts</b>	<b>Buildings</b>	<b>Civic Regalia</b>	<b>Transport</b>	<b>Fine Art</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Balance</b>	<b>3,130</b>	<b>757</b>	<b>441</b>	<b>490</b>	<b>9,490</b>	<b>14,308</b>
<b>Closing Balance</b>	<b>3,130</b>	<b>757</b>	<b>441</b>	<b>490</b>	<b>9,490</b>	<b>14,308</b>
<b>Proceeds of Sale</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Decorative Art

These collections include items such as British ceramics, drawings and photographs. The collections also include coins and medals, textiles, archaeological artifacts, sculptures, glass, metalwork, jewelry, furniture, and maritime models and Oriental collections. The majority of these collections have been revalued in 2020/21 with the exception of some of the ceramic and Oriental collections.

### 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. Due to the specialist nature of these assets, a valuation has not been undertaken of these during the year.

### Civic Regalia

The collection includes 46 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 1893. The collection also includes memorabilia commemorating events and associations of local interest. Valuations were undertaken in 2020/21, although some had been valued between April and September 2012 and if this is the latest valuation, this has been the basis. Valuations are based on contemporary market and documentary research.

### Transport

The collection consists of various vehicles, including historic buses, trams and motorcycles. The valuations are based on insurance quotes obtained by the internal Insurance Team during 2020/21.

## Fine Art and Other Collections

These include British watercolours and drawings of the 18<sup>th</sup> and 19<sup>th</sup> century, by artists including the Liverpool School artist, Philip Wilson Steer and other leading local artists, within a collection of over 5,000 separate pieces. Values of the highest twenty-four pieces range between £60,000 to £720,000. Valuations are based on a revaluation carried out in 2020/21 largely and are based on contemporary market and documentary research.

### 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.

### 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 valuation was undertaken during 2020/21, although as noted above, not all assets were valued. 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: Valuation Approach

Valuations have been commissioned externally via valuers with the requisite expertise in this particular field. The 2012 valuations had been undertaken by St George Valuations (London) and the 2020/21 valuations by Art & Antiques Appraisals Ltd. The latter were supervised a former Senior Valuer at Bonhams, supported by colleagues from Art & Antiques Appraisals Ltd.

There were some limitations on the valuation in 2020/21, in particular, because of the coronavirus pandemic. Many items were viewed online rather than physically examined, and the collection was sampled for higher-value items rather than comprehensively viewed as a result.

### 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 of 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.

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.

31st March 2020		31st March 2021
£000	Investment Property Income and Expenditure	£000
(888)	Rental income from investment property	(1,098)
770	Direct operating expenses from investment property	980
<b>(118)</b>	<b>Net (gain)/loss</b>	<b>(118)</b>

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

31st March 2020 Non-Current		31st March 2021 Non-Current
£000	Investment Properties Movements in Year	£000
<b>27,357</b>	<b>Opening Balance</b>	<b>24,680</b>
53	Subsequent expenditure	0
(5,080)	Disposals	0
2,870	Net gains/losses from fair value adjustments	(5,759)
	Transfers:	
(520)	to/from Property Plant and Equipment	110
0	Other changes	2
<b>24,680</b>	<b>Balance at the end of the year</b>	<b>19,033</b>

The Council has not acquired any significant new Investment Properties during the year, and no disposals have taken place within the category during 2020/21.

The net losses from fair value adjustments of £5.8m mainly reflect adverse income expectations and the resulting downwards valuation from the Council's investments in the Europa Centre and the Vue Cinema in Birkenhead town centre, which are considered largely a consequence of Covid-19 and national lockdowns, leading to reduced customer patronage.

### Fair Value Hierarchy for Investment Properties

Details of the Council's Investment Properties and information about the Fair Value hierarchy as at 31st March 2021 are shown in the following table:

Recurring fair value measuring usage	2019/20				2020/21			
	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	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 2021 £000
Development Sites	0	59	0	59	0	0	0	0
General Buildings & Sites	0	20,489	0	20,489	0	14,571	0	14,571
Industrial Sites	0	4,132	0	4,132	0	4,462	0	4,462
<b>Total</b>	<b>0</b>	<b>24,680</b>	<b>0</b>	<b>24,680</b>	<b>0</b>	<b>19,033</b>	<b>0</b>	<b>19,033</b>

The Council measures its investment 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 RICS internal property valuers to provide a valuation of its assets in line with the highest and best use definition.

All the Council's investment properties have been 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 are 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 observable inputs, leading to the properties being categorised as Level 2.

There have 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, for example bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, for example interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, for example 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, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence are returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

## 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 2020/21 was £0.168m (2019/20 £0.384m).

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

31 March 2020			31 March 2021	
Other Assets	Restated Total		Other Assets	Total
£000	£000		£000	£000
		<b>Balance at start of year:</b>		
4,378	4,378	Gross carrying amounts	4,378	4,378
(3,829)	(3,829)	Accumulated amortisation	(4,213)	(4,213)
<b>549</b>	<b>549</b>	<b>Net carrying amount at start of year</b>	<b>165</b>	<b>165</b>
0	0	Additions (acquired separately)	22	22
(384)	(384)	Amortisation - other adjustments	(168)	(168)
<b>165</b>	<b>165</b>	<b>Net carrying amount at end of year</b>	<b>19</b>	<b>19</b>
		<b>Comprising:</b>		
4,378	4,378	Gross carrying amounts	4,400	4,400
(4,213)	(4,213)	Accumulated amortisation	(4,381)	(4,381)
<b>165</b>	<b>165</b>	<b>Total</b>	<b>19</b>	<b>19</b>

The majority of intangible assets acquired in previous years are now fully amortised. The equivalent balance for 2019/20 was £0.165m comprising two software licenses, one within Adults and one within Childrens' Services. Both are now fully amortised. There is one license currently not fully amortised, with a remaining estimated life of nine years.

As at 31<sup>st</sup> March 2021, there were outstanding capital obligations totaling £0.1m for the purchase of intangible assets.

## 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 Santander;
- 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 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	
£000	£000	£000	£000	£000	£000	
<b>IFRS 9 Categories</b>						
Amortised cost	0	0	30,356	22,327	30,356	22,327
<b>Total financial assets</b>	<b>0</b>	<b>0</b>	<b>30,356</b>	<b>22,327</b>	<b>30,356</b>	<b>22,327</b>

Current Financial Assets								
Investments		Debtors		Cash		Total	Total	
31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	
£000	£000	£000	£000	£000	£000	£000	£000	
<b>IFRS 9 Categories</b>								
Cash not falling into the following categories:								
Fair value through profit and loss	15,807	15,890	0	0	0	0	15,807	15,890
Amortised cost	16,455	12	24,136	39,122	15,014	5,960	55,605	45,094
Fair value through other comprehensive income - designated equity instruments	923	1,035	0	0	0	0	923	1,035
Fair value through other comprehensive income	0	0	0	0	39,509	23,896	39,509	23,896
<b>Total financial assets</b>	<b>33,185</b>	<b>16,937</b>	<b>24,136</b>	<b>39,122</b>	<b>54,523</b>	<b>29,856</b>	<b>111,844</b>	<b>85,915</b>
<b>Non-financial assets</b>								
<b>Total</b>	<b>33,185</b>	<b>16,937</b>	<b>24,136</b>	<b>39,122</b>	<b>54,523</b>	<b>29,856</b>	<b>111,844</b>	<b>85,915</b>

The following table shows the debtors, see Debtors note, that are classified as financial instrument and non-financial instruments.

	31 March 2020	31 March 2021
	£000	£000
Financial instrument	24,136	39,122
Non Financial Instrument	62,601	50,118
<b>Total</b>	<b>86,737</b>	<b>89,240</b>

<b>Non-Current Financial Liabilities</b>						
	<b>Borrowings</b>		<b>PFI liabilities</b>		<b>Total</b>	<b>Total</b>
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair value through profit and loss						
Amortised cost	(162,340)	(149,434)	(36,865)	(34,447)	(199,205)	(183,881)
Other	0	0	0	0	0	0
<b>Total financial liabilities</b>	<b>(162,340)</b>	<b>(149,434)</b>	<b>(36,865)</b>	<b>(34,447)</b>	<b>(199,205)</b>	<b>(183,881)</b>
Non-financial liabilities						
<b>Total</b>	<b>(162,340)</b>	<b>(149,434)</b>	<b>(36,865)</b>	<b>(34,447)</b>	<b>(199,205)</b>	<b>(183,881)</b>

<b>Current Financial Liabilities</b>										
	<b>Borrowings</b>		<b>Creditors</b>		<b>PFI Liability</b>		<b>Bank Overdraft</b>		<b>Total</b>	<b>Total</b>
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair value through profit and loss										
Amortised cost	(146,792)	(101,198)	0	0	(2,693)	(2,465)	0	0	(149,485)	(103,663)
Other	0	0	(44,259)	(38,578)	0	0	(851)	(8,586)	(45,110)	(47,164)
<b>Total financial liabilities</b>	<b>(146,792)</b>	<b>(101,198)</b>	<b>(44,259)</b>	<b>(38,578)</b>	<b>(2,693)</b>	<b>(2,465)</b>	<b>(851)</b>	<b>(8,586)</b>	<b>(194,595)</b>	<b>(150,827)</b>

The following table show the split of Creditors note, by Financial and Non-Financial Instruments.

	31 March 2020	31 March 2021
	£000	£000
Financial instrument	(44,259)	(38,578)
Non Financial Instrument	(24,736)	(42,865)
<b>Total</b>	<b>(68,995)</b>	<b>(81,443)</b>

There is a requirement under Onerous contracts to recognise a creditor for Kingsway School. £1.3m has been recognised in 2020/21 (£700k in current Other payables and £430k in long-term Other payables), this recognises the unavoidable costs of meeting the obligation under the PFI contract, for a period of 18 months.

	2019/20	2020/21
	£000	£000
0 Other payables		(430)
<b>0 Total Long Term Creditors</b>		<b>(430)</b>

Income, Expense, Gains and Losses	31 March 2020		31 March 2021	
	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
	£000	£000	£000	£000
<b>Net gains/losses on:</b>				
• financial assets measured at fair value through profit or loss	(210)	130	(102)	(83)
• financial assets measured at amortised cost	(132)	0	(68)	0
• investments in equity instruments designated at fair value through other comprehensive income	(24)	53	(28)	(112)
• financial liabilities measured at amortised cost	13,578	0	14,297	0
<b>Total net gains/losses</b>	<b>13,212</b>	<b>183</b>	<b>14,099</b>	<b>(195)</b>
<b>Interest revenue:</b>				
• financial assets measured at amortised cost	(132)	0	(68)	0
• other financial assets measured at fair value through other comprehensive income	(234)	0	(128)	0
<b>Total interest revenue</b>	<b>(366)</b>	<b>0</b>	<b>(196)</b>	<b>0</b>
<b>Other Income</b>	<b>(202)</b>	<b>0</b>	<b>(94)</b>	<b>0</b>

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

	31 March 2020	31 March 2021
	£000	£000
Columbia Threadneedle Investments	923	1,035
<b>Total</b>	<b>923</b>	<b>1,035</b>

## 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 2021, 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 2020	31 March 2021
	£000	£000
FA Measured at Fair Value - <b>Money Market Funds</b>	39,509	23,917
FA Measured at Fair Value - <b>Externally Managed Funds</b>	16,729	16,925
<b>Balance 31 March</b>	<b>56,238</b>	<b>40,842</b>

## 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 2021		Total £000
	Unquoted Shares £000	Public Sector Social Impact Fund £000	
<b>Opening Balance</b>	0	9,967	9,967
<b>Total gains or losses for the period:</b>			
- Included in Other Comprehensive Income and Expenditure	0	(4)	(4)
<b>Balance 31 March</b>	<b>0</b>	<b>9,963</b>	<b>9,963</b>

	31 March 2020		Total £000
	Unquoted Shares £000	Other £000	
<b>Opening Balance</b>	0	0	0
<b>Total gains or losses for the period:</b>			
Additions	0	9,967	9,967
<b>Balance 31 March</b>	<b>0</b>	<b>9,967</b>	<b>9,967</b>

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 2020		31 March 2021	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities held at Amortised Cost	(166,587)	(313,911)	(163,093)	(306,597)
PFI and finance lease liabilities	(39,558)	(41,757)	(36,912)	(41,614)
<b>Total</b>	<b>(206,145)</b>	<b>(355,668)</b>	<b>(200,005)</b>	<b>(348,211)</b>

## Financial Assets

	31 March 2020		31 March 2021	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables at Amortised Cost	31,468	31,468	6,946	6,946
Long-Term Debtors	30,356	30,356	22,327	22,327
<b>Total</b>	<b>61,824</b>	<b>61,824</b>	<b>29,273</b>	<b>29,273</b>

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

Recurring fair value measurements using:	31 March 2021			Total £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	
<b>Financial Liabilities</b>				
Financial Liabilities held at amortised cost:				
Loans/Borrowings	0	(306,597)	0	(306,597)
PFI and finance lease liabilities	0	(41,614)	0	(41,614)
<b>Total</b>	<b>0</b>	<b>(348,211)</b>	<b>0</b>	<b>(348,211)</b>
<b>Financial Assets</b>				
Amortised Cost:				
Other loans and receivables	0	29,273	0	29,273
<b>Total</b>	<b>0</b>	<b>29,273</b>	<b>0</b>	<b>29,273</b>

Recurring fair value measurements using:	31 March 2020			Total £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	
<b>Financial Liabilities</b>				
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)
<b>Total</b>	<b>0</b>	<b>(355,668)</b>	<b>0</b>	<b>(355,668)</b>
<b>Financial Assets</b>				
Amortised Cost:				
Other loans and receivables	0	61,824	0	61,824
<b>Total</b>	<b>0</b>	<b>61,824</b>	<b>0</b>	<b>61,824</b>

## 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 (£198.1m) 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 (£21.9m) is greater than the carrying amount (£18.2m) 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 (£86.5m) is higher than the carrying amount (£42.6m) 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 (£41.6m) 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

2019/20				2020/21		
Gross Debtors £000	Expected Losses £000	Net Debtors £000		Gross Debtors £000	Expected Losses £000	Net Debtors £000
64,360	(18,677)	45,683	Trade Receivables	54,438	(17,709)	36,729
6,594	0	6,594	Prepayments	4,061	0	4,061
25,495	(18,007)	7,488	Local Taxation	35,105	(20,962)	14,143
27,039	(67)	26,972	Other Receivable Amounts	34,576	(269)	34,307
<b>123,488</b>	<b>(36,751)</b>	<b>86,737</b>	<b>Total</b>	<b>128,180</b>	<b>(38,940)</b>	<b>89,240</b>

## 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:

2019/20 £000		2020/21 £000
3,417	Less than one year	4,081
2,056	One to two years	2,631
1,438	Two to three years	1,742
1,055	Three to four years	1,280
580	Four to five years	838
1,030	Five + years	1,289
<b>9,576</b>	<b>Total</b>	<b>11,860</b>

## 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:

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
4,818	Cash and Bank balances	1,856
54,523	Short Term Investments	29,856
(5,669)	Bank Overdraft	(10,442)
<b>53,672</b>	<b>Total Cash and Cash Equivalents</b>	<b>21,270</b>

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.

## Note 22 - Creditors

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(43,890)	Trade payables	(30,100)
(25,105)	Other payables	(51,343)
<b>(68,995)</b>	<b>Total Creditors</b>	<b>(81,443)</b>

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
0	Other payables	(430)
<b>0</b>	<b>Total Long Term Creditors</b>	<b>(430)</b>

An onerous contract has been recognised in the CIES and balance sheet for future costs of the PFI contract for Kingsway Academy. The school was closed in 2017 and alternative use is being sought. There is a requirement under Onerous contracts to recognise a creditor. £1.3m (£700k included within current Other payables and £430k included within long-term Other payables) recognises the unavoidable costs of meeting the obligation under the PFI contract for a period of 18 months.

## Note 23 - Provisions

The provisions figures shown in the Balance Sheet comprises of the following balances.

### Total Provisions

	2019/20 £000	Total Provision	2020/21 £000
(14,686) Opening Balance			(14,025)
(2,605) Increase in provision during year			(3,084)
2,920 Utilised during year			1,339
346 Unused amounts reversed			242
<b>(14,025) Closing Balance</b>			<b>(15,528)</b>

### Current Provisions

2020/21	Severance Pay £000	Insurance Fund £000	NNDR Appeals £000	Land Charges £000	Education Health & Care Plans £000	Other £000	Total £000
Opening Balance	(1,154)	(1,000)	(8,304)	(248)	0	(92)	(10,798)
Increase in provision during year	(2,241)	(100)	0	0	(526)	0	(2,867)
Utilised during year	1,154	150	35	0	0	0	1,339
Unused Amounts Reversed	0	0	242	0	0	0	242
<b>Closing Balance</b>	<b>(2,241)</b>	<b>(950)</b>	<b>(8,027)</b>	<b>(248)</b>	<b>(526)</b>	<b>(92)</b>	<b>(12,084)</b>

2019/20	Severance Pay £000	Insurance Fund £000	NNDR Appeals £000	Carbon Reduction Commitment £000	Land Charges £000	Birkenhead Market TUPE £000	Other £000	Total £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
<b>Closing Balance</b>	<b>(1,154)</b>	<b>(1,000)</b>	<b>(8,304)</b>	<b>0</b>	<b>(248)</b>	<b>0</b>	<b>(92)</b>	<b>(10,798)</b>

## Provisions

### Severance Pay

The Council has identified funding that will be required for staff reductions in financial year 2020/21 that will cost £2.241m 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 2020/21 but also any backdated amount relating to earlier years. This will include decisions made in future years regarding appeals which may affect the 2020/21 and earlier financial years' business rates charges. The provision calculation is based upon data supplied by the Valuation Office at 31 March 2021 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. There is no provision in 2020/21.

## 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.

## Education Health and Care Plans

The assessment process can take some time to complete and so as not to disadvantage pupils, schools put additional support in place as soon as need is identified and will then be financially recompensed retrospectively once the assessment process is complete. At the end of the financial year there were a significant number of pupil assessments in progress, and which are not yet complete. A financial liability exists in the form of retrospective payments to schools, but the value of the payments will not be known until the assessments are complete.

## Other Provisions

All other provisions are individually insignificant in being below £0.1m.

## Long Term Provisions

<b>2020/21</b>	<b>Insurance Fund £000</b>	<b>Total £000</b>
Opening Balance	(3,227)	(3,227)
Increase in provision during year	(217)	(217)
<b>Closing Balance</b>	<b>(3,444)</b>	<b>(3,444)</b>

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

## Note 24 - 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) 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.

A deficit of £1.264m on the Dedicated Schools Grant was reported in earmarked reserves and therefore Usable Reserves in 2019/20. However, changes to the regulations require these deficits to be reported as Unusable Reserves from 1<sup>st</sup> April 2020, and as such an adjustment of £1.264m was made in 20/21 to transfer the opening deficit.

The Capital Receipts Reserve and Capital Grants Unapplied detailed in this note are held for capital purposes only.

### Total Usable Reserve

31 March 2020 £000	31 March 2021 £000
(10,676) General Fund Balance	(10,676)
(66,768) Earmarked General Fund Reserves	(114,632)
(513) Capital Receipts Reserve	(1,190)
(19,453) Capital Grants Unapplied	(24,429)
<b>(97,410) Balance 31 March</b>	<b>(150,927)</b>

### Capital Receipts Reserve

The Capital Receipts Reserve contains the proceeds of fixed assets sales that are available to meet the future capital investment. 2019/20 has been restated to separately identify capital receipts relating to Private Sector Housing Renewal loans.

31 March 2020 (restated) £000	31 March 2021 £000
(921) Balance 1 April	(513)
(7,874) Capital Receipts in year	(1,326)
(96) Private Sector Housing Renewal Receipts in year	(135)
66 Transfer to revenue reserves to cover disposal costs	0
4,469 Capital Receipts transferred to Capital Adjustment Account to repay debt	4,469
8,312 Capital Receipts used for financing	784
(4,469) Other movements	(4,469)
<b>(513) Balance 31 March</b>	<b>(1,190)</b>

### 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.

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(16,252)	Balance 1 April	(19,453)
(12,108)	Capital grants recognised in year	(13,139)
8,907	Capital grants and contributions applied	9,320
0	Other movements	(1,157)
<b>(19,453)</b>	<b>Balance 31 March</b>	<b>(24,429)</b>

## Note 25 - Unusable Reserves

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(264,439)	Revaluation Reserve	(278,183)
211	Financial Instruments Revaluation Reserve	109
(113,324)	Capital Adjustment Account	(92,752)
2,577	Financial Instruments Adjustment Account	2,491
472,389	Pension Reserve	551,582
(273)	Deferred Capital Receipts Reserve	(1,174)
(399)	Collection Fund Adjustment Account	42,018
3,009	Accumulated Absences Account	2,582
69	Pooled Investment Funds Adjustment Account	(24)
0	Dedicated Schools Grant Adjustment Account	1,679
<b>99,820</b>	<b>Total</b>	<b>228,328</b>

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.

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(244,326)	<b>Balance 1 April</b>	(264,439)
(82,874)	Upward revaluation of assets	(32,402)
36,325	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	7,090
<b>(46,549)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>(25,312)</b>
5,618	Difference between fair value depreciation and historical cost depreciation	7,177
20,818	Accumulated gains on assets sold or scrapped	4,391
<b>26,436</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>11,568</b>
<b>(264,439)</b>	<b>Balance 31 March</b>	<b>(278,183)</b>

### 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.

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
92	<b>Balance 1 April</b>	211
119	Other movements	(102)
<b>211</b>	<b>Balance 31 March</b>	<b>109</b>

## 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.

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(132,118)	<b>Balance 1 April</b>	(113,324)
55,724	Charges for depreciation and impairment of non-current assets	26,136
(28,815)	Revaluation losses on non-current assets	5,220
384	Amortisation of intangible assets	168
15,085	Revenue expenditure funded from capital under statute	14,662
4,469	Repayment of debt – Merseyside Residual Debt Fund	4,469
38,404	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	7,928
85,251	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	58,583
(26,436)	Adjusting Amounts written out of the Revaluation Reserve	(11,568)
58,815	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	47,015
(8,312)	Use of Capital Receipts Reserve to finance new capital expenditure	(784)
(18,388)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(20,270)
(4,469)	Write-off Merseyside Residual Debt Fund receipt to long term debtors	(4,469)
(6,078)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,716)
(37,247)	<b>Capital financing applied in year:</b>	(32,239)
(2,870)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	5,759
96	Public Sector Housing Loans	135
0	Capital expenditure charged against the General Fund and HRA balances	(98)
<b>(113,324)</b>	<b>Balance 31 March</b>	<b>(92,752)</b>

## 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 2021 the account had a balance of £2.491m (2019/20 £2.577m).

<b>31 March 2020</b> <b>£000</b>	<b>31 March 2021</b> <b>£000</b>
2,689 <b>Balance 1 April</b>	2,577
(112) Downward revaluation of investments	(86)
<b>(112) Total Changes in revaluation and impairment</b>	<b>(86)</b>
<b>2,577 Balance 31 March</b>	<b>2,491</b>

## 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 for details) the Pensions Reserve total shown below does not match the Pensions Liability in note. 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.

<b>31 March 2020</b> <b>£000</b>	<b>31 March 2021</b> <b>£000</b>
550,593 Balance 1 April	472,389
(98,467) Remeasurements of the net defined benefit (liability)/asset	54,677
58,004 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	50,097
(37,741) Employer's pensions contributions and direct payments to pensioners payable in the year	(25,581)
<b>472,389 Balance 31 March</b>	<b>551,582</b>

## 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 2021 the reserve had a balance of £1.174m (2019/20 £0.273m).

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(599)	Balance 1 April	(273)
326	Other movements	(901)
<b>(273)</b>	<b>Balance 31 March</b>	<b>(1,174)</b>

## 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 2021, the account had a balance of £42.018m (2019/20 credit balance of £0.399m), representing the Council's share of the overall Collection Fund balance.

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(841)	Balance 1 April	(399)
	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	42,417
<b>(399)</b>	<b>Balance 31 March</b>	<b>42,018</b>

## 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 £2.582m at 31 March 2021 (2019/20 debit balance of £3.009m).

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
3,220	<b>Balance 1 April</b>	3,009
(3,220)	Settlement or cancellation of accrual made at the end of the preceding year	(3,009)
3,009	Amounts accrued at the end of the current year	2,582
(211)	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 requirements	(427)
<b>3,009</b>	<b>Balance 31 March</b>	<b>2,582</b>

## 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.

<b>31 March 2020</b>	<b>31 March 2021</b>
<b>£000</b>	<b>£000</b>
<b>5 Balance 1 April</b>	<b>69</b>
64 Changes in fair value of pooled investments	(93)
<b>69 Balance 31 March</b>	<b>(24)</b>

## Dedicated Schools Grant Adjustment Account

The Secretary of State for the Ministry of Housing, Communities and Local Government laid before Parliament a statutory instrument (the instrument) to amend The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provisions came into effect from 29 November 2020. The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits such that where the Council has a deficit on its schools budget relating to its accounts for a financial year beginning on 1 April 2020 to 1 April 2022, stating it must not charge the amount of that deficit to the revenue account. The Council must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget.

The new accounting practice has the effect of separating schools budget deficits from the Councils' general fund for a period of three financial years. This issue can only be fully resolved by closing the deficits. Therefore, the accounting treatment introduced by this regulation is limited to the financial reporting periods 2020/21, 2021/22 and 2022/23 to provide time for Government and the Council to look at budgetary and financial management strategies to reduce the deficit Adjustment Account.

<b>31 March 2020</b>	<b>31 March 2021</b>
<b>£000</b>	<b>£000</b>
<b>0 Balance 1 April</b>	<b>0</b>
0 Adjust opening balance	1,265
<b>0 Revised balance 1 April</b>	<b>1,265</b>
0 Movements in Year	414
<b>0 Balance 31 March</b>	<b>1,679</b>

## Note 26 - Cash Flow Statement: Operating Activities

The cash flows for operating activities include the following items:

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(568)	Interest received	(290)
13,578	Interest paid	14,297
<b>13,010</b>	<b>Total</b>	<b>14,007</b>

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(24,424)	Depreciation	(26,136)
(2,485)	Impairment and downward valuations	(5,220)
(384)	Amortisation	(168)
(175)	(Increase)/decrease in impairment for bad debts	(2,189)
(11,761)	(Increase)/decrease in creditors	(12,448)
24,358	Increase/(decrease) in debtors	(3,337)
123	Increase/(decrease) in inventories	(31)
(20,263)	Movement in pension liability	(24,516)
(38,404)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(7,910)
1,411	Other non-cash movements charged to the surplus or deficit on provision of services	(1,546)
<b>(72,004)</b>	<b>Total</b>	<b>(83,501)</b>

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

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
7,874	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,326
20,441	Capital Grants credited to surplus or deficit on the provision of services	24,256
<b>28,315</b>	<b>Total</b>	<b>25,582</b>

## Note 27 - Cash Flow Statement: Investing Activities

The cash flows for investing activities include the following:

2019/20		2020/21
£000		£000
24,722	Purchase of property, plant and equipment, investment property and intangible assets	31,672
79,950	Purchase of short-term and long-term investments	31,944
171	Other payments for investing activities	131
(7,874)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,326)
(28,956)	Proceeds from short-term and long-term investments	(69,950)
(4,775)	Other receipts from investing activities	(8,029)
<b>63,238</b>	<b>Net cash flows from investing activities</b>	<b>(15,558)</b>

## Note 28 - Cash Flow Statement: Financing Activities

The cash flows for financing activities include the following items:

2019/20		2020/21
£000		£000
(51,500)	Cash receipts of short-term and long-term borrowing	(55,500)
2,860	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	2,646
(311)	Repayments of short-term and long-term borrowing	5,890
442	Other payments for financing activities	42,417
<b>(48,509)</b>	<b>Net cash flows from financing activities</b>	<b>(4,547)</b>

## Note 29 - Reconciliation of Liabilities Arising from Financing Activities

	1 April 2020	Financing cash flows	Non-cash changes Other non-cash changes	31 March 2021
	£000	£000	£000	£000
Long-term borrowings	(162,340)	(1,000)	13,906	(149,434)
Short-term borrowings	(146,792)	59,364	(13,770)	(101,198)
On balance sheet PFI liabilities	(39,558)	2,690	(44)	(36,912)
<b>Total liabilities from financing activities</b>	<b>(348,690)</b>	<b>61,054</b>	<b>92</b>	<b>(287,544)</b>

	1 April 2019	Financing cash flows	Non-cash changes 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)
<b>Total liabilities from financing activities</b>	<b>(301,193)</b>	<b>(47,425)</b>	<b>(72)</b>	<b>(348,690)</b>

Analysis of PFI liability is detailed below:

	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>
On balance sheet PFI liabilities - Short Term	(36,865)	(34,447)
On balance sheet PFI liabilities - Long Term	(2,693)	(2,465)
<b>Total PFI liabilities from financing activities</b>	<b>(39,558)</b>	<b>(36,912)</b>

### Note 30 - Agency Services

Since 2016/17 the Council has collected income from a Business Rates levy in relation to the Birkenhead Business Improvement District (BID) as part of a 5-year agreement, with 2020/21 due to be the final year. Due to the impact of the Covid-19 pandemic the BID company decided not to raise the levy in 2020/21 or to ballot ratepayers regarding a continuation for 2021/22 onwards. The table below shows the amount of levy billed and the amount paid to the BID management company in 2019/20, with nil transactions in 2020/21 for comparison.

<b>2019/20</b>	<b>Birkenhead Business Improvement District</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(434)	Income	0
411	Expenditure	0
<b>(23)</b>	<b>Net Surplus on the Agency Arrangement</b>	<b>0</b>

The Council has received government funding to support businesses and the community in response to the COVID-19 pandemic. The table below is the summary of the fully passported funding which the Council acted as an agency in 2020/21, showing total income and Expenditure within the year. The balance of the funding will either be returned due to not being claimed (£15.7m) or used in 2021/22 (£0.6m)

<b>2019/20</b>	<b>COVID-19 Agency Grants</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
0	Income	(99,127)
0	Expenditure	82,812
<b>0</b>	<b>Net Surplus on the Agency Arrangement</b>	<b>(16,315)</b>

## Note 31 - 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 surplus position of £0.3m. Due to the significant financial impact of Covid-19 experienced by the NHS Wirral CCG (Clinical Commissioning Group) a decision was taken to exclude the negative impact on their budgets during 20/21 within the pool. Overall, financial pressures have been managed through access to increased Government funding for the COVID-19 response and the NHS funding for hospital discharges and deflections. 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.

2019/20 £000	Revenue	2020/21 £000
	<b>Funding provided to the pooled budget:</b>	
(85,355)	Wirral Council	(94,817)
(51,801)	Wirral Clinical Commissioning Group	(28,258)
<b>(137,156)</b>	<b>Total</b>	<b>(123,075)</b>
	<b>Expenditure met from the pooled budget:</b>	
103,856	Wirral Council	94,511
35,829	Wirral Clinical Commissioning Group	28,237
<b>139,685</b>	<b>Total</b>	<b>122,748</b>
<b>2,529</b>	<b>Net deficit arising on the pooled budget during the year</b>	<b>(327)</b>
<b>1,265</b>	<b>Cost of the Council's share of the deficit on the pooled budget for the year</b>	<b>(164)</b>

2019/20 £000	Capital (Disabled Facilities grant and Social Care)	2020/21 £000
	<b>Funding provided to the pooled budget:</b>	
(4,163)	Wirral Council	(4,163)
0	Wirral Clinical Commissioning Group	0
<b>(4,163)</b>	<b>Total</b>	<b>(4,163)</b>
	<b>Expenditure met from the pooled budget:</b>	
4,163	Wirral Council	4,163
0	Wirral Clinical Commissioning Group	0
<b>4,163</b>	<b>Total</b>	<b>4,163</b>
<b>0</b>	<b>Net surplus arising on the pooled budget during the year</b>	<b>0</b>
<b>0</b>	<b>Cost of the Council's share of the deficit on the pooled budget for the year.</b>	<b>0</b>

### Note 32 - Members' Allowances

During the year Members' allowances, including Employer's costs totaled £757k (2019/20 £792k) as set out in the table:

2019/20 £000	2020/21 £000
788	756
4	1
<b>792</b>	<b>757</b>

## Note 33 - 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:

2020/21	Employment Period	Notes	Salaries	Expenses Allowances	Pension Contribution	Total
			£	£	£	£
Chief Executive (Paul Satoor)	01/04/20 - 31/03/21		165,775	0	28,182	193,957
Assistant Chief Executive	01/04/20 - 31/03/21		102,386	0	30,323	132,709
Assistant Director of Corporate Office	01/04/20 - 31/03/21		86,941	0	14,758	101,699
Director of Regeneration and Places	01/04/20 - 31/03/21		113,736	55	19,320	133,111
Director of Neighbourhood Services	01/04/20 - 31/03/21		113,971	0	19,320	133,291
Director of Children, Families and Education (Paul Boyce)	01/04/20 - 31/03/21	a	159,829	0	27,171	187,000
Director of Children, Families and Education	15/03/21 - 31/03/21	b	5,334	0	907	6,241
Director for Adults' Care and Health and Strategic Commissioning	01/04/20 - 31/03/21		122,863	0	20,887	143,750
Director of Public Health	01/04/20 - 31/03/21		100,255	0	14,417	114,672
Director of Law and Governance (Monitoring Officer)	01/04/20 - 31/03/21		122,863	0	20,887	143,750
Director of Resources (S151 Officer)	01/04/20 - 31/03/21		119,790	0	20,364	140,154
<b>TOTAL</b>			<b>1,213,743</b>	<b>55</b>	<b>216,536</b>	<b>1,430,334</b>

The Council's new senior management structure was agreed by Employment and Appointments Committee on 3 March 2020 and was implemented on 1 April 2020.

- a) Left the organisation on 31/03/21
- b) Director of Children, Families and Education from 15/03/21

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
<b>TOTAL</b>			<b>1,259,976</b>	<b>1,371</b>	<b>131,820</b>	<b>199,989</b>	<b>1,593,156</b>

- 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

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**

	<b>2019/20</b>	<b>2020/21</b>
£50,001 to £55,000	109	150
£55,001 to £60,000	57	66
£60,001 to £65,000	42	44
£65,001 to £70,000	53	53
£70,001 to £75,000	12	27
£75,001 to £80,000	18	14
£80,001 to £85,000	6	12
£85,001 to £90,000	10	6
£90,001 to £95,000	3	7
£95,001 to £100,000	3	1
£100,001 to £105,000	2	4
£105,001 to £110,000	1	0
£110,001 to £115,000	1	2
£115,001 to £120,000	0	1
£120,001 to £125,000	3	3
£130,001 to £135,000	1	0
£150,001 to £155,000	1	0
£155,001 to £160,000	1	1
£165,001 to £170,000	0	1
£190,001 to £195,000	1	0
<b>Total</b>	<b>324</b>	<b>392</b>

## 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 (£000)	
	2019/20	2020/21	Restated		2019/20	2020/21	Restated 2019/20 £000	2020/21 £000
			2019/20	2020/21				
£0-£20,000	0	0	19	13	19	13	188	127
£20,001 - £40,000	0	0	15	13	15	13	464	361
£40,001 - £60,000	0	0	5	4	5	4	239	196
£60,001 - £80,000	0	0	1	1	1	1	74	63
<b>Total</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>31</b>	<b>40</b>	<b>31</b>	<b>965</b>	<b>747</b>

The 2019/20 restatement relates to the withdrawal of an exit package.

## Note 34 - External Audit Costs

The Council's auditors are Grant Thornton and the Council will incur audit fees of £257k relating to the external audit. The costs reported for 2020/21 include additional costs of £50k for other services provided and £75k relates to additional work carried out in 2019/20 audit.

2019/20 £000		2020/21 £000
155	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	257
27	Fees payable in respect of other services provided by external auditors during the year	50
<b>182</b>	<b>Total</b>	<b>307</b>

## Note 35 - Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2020/21 are as follows:

DSG Receivable for 2020/21	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for year before Academies recoupment			278,212
Academy figure recouped for year			(103,744)
Total DSG after academy recoupment			<b>174,468</b>
Plus: Brought forward from previous year			(1,264)
Less: Carry forward to following year (agreed in advance)			0
Agreed initial budgeted distribution in year	<b>31,529</b>	<b>141,675</b>	<b>173,204</b>
In year adjustments	0	(485)	(485)
Final budget distribution for year	<b>31,529</b>	<b>141,190</b>	<b>172,719</b>
Less: Actual central expenditure	(33,900)	0	(33,900)
Less: Actual ISB deployed to schools	0	(141,675)	(141,675)
Plus: Local Authority contribution for year	1,177	0	1,177
<b>Carry forward to 2021/22</b>	<b>(1,194)</b>	<b>(485)</b>	<b>(1,679)</b>

At 31st March 2021 the Dedicated Schools Grant reserve has a debit balance to the value of £1.679m which represents a deficit position to be carried forward into 2021-22. The deficit position is mainly due to additional pressure in the High Needs Block. The Council is actively developing a plan to recoup the deficit.

### Comparative table for 2019/20

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

## Note 36 - Grant Income

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21. The Covid Principal Grants, Covid-19 Catch Up Premium, Holiday Activities & Food Programme 2020-21, and Community Discharge Grants are new grants for 2020-21.

<b>2019/20 Credited to Taxation and Non-Specific Grant Income £000 Revenue Grants:</b>	<b>2020/21 £000</b>
(5,472) Schools Private Finance Initiative	(5,472)
(25,282) Grant to Compensate for Changes to Business Rates	(33,358)
(764) New Homes Bonus Grant	(542)
(3,100) Adult Social Care Support Grant	0
(1,800) Winter Pressures Grant	0
(1,523) Independent Living Fund Grant	(1,523)
(513) Local Council Tax Admin Support Grant	(505)
(258) Local Reform and Community Voices	(258)
0 Social Care Grant	(11,263)
0 Local Income Tax Guarantee	(3,839)
(11,862) Covid-19 Support	(18,961)
0 Covid 19 Sales Fees & Charges Compensation	(11,011)
(273) Levy Account Surplus Grant	0
(567) Other Revenue Grants (Less than £250K)	(411)
<b>(51,414) Total Revenue Grants</b>	<b>(87,143)</b>
<b>Capital Grants:</b>	
(3,977) Local Transport Grant	(8,297)
(2,469) School Condition	(3,564)
(518) Sustainable Transport Enhance Programme	(1,366)
(4,163) Disabled Facilities Grant	(4,724)
(1,677) Basic Needs Grant	0
(376) Formula Capital	(572)
0 Special Provision Capital Fund	(849)
(1,250) Civilised Streets	0
(567) Housing Infrastructure Fund / Heritage Lottery Fund	0
(930) Land Drainage / Flood Protection	0
(3,043) Key Route Network	0
(1,189) Transport Advisory Group	0
0 Towns Fund (Birkenhead)	(1,000)
0 Housing Infrastructure Fund / Northbank Wirral Waters	(2,325)
0 Northbank West Cycle Scheme	(640)
(281) Other Capital Grants (less than £250K)	(919)
<b>(20,440) Total Capital Grants</b>	<b>(24,256)</b>
<b>(71,854) Total credited to Taxation and Non-Specific Grant Income</b>	<b>(111,399)</b>

Within Taxation and non-specific grants in 2019/20 there were Adult Social Care Support and Winter Pressure Grant of £4.9m which have been replaced and incorporated into a new Social Care Grant grant in 2020/21. The Local Income Tax Guarantee and Covid-19 are new grants for 2020/21.

There are several capital grants totalling £5.8m in 2019/20 which are no longer available.

## Grant Income Credited to Services

<b>2019/20 (restated) £000</b>	<b>2020/21 £000</b>
(162,500) Dedicated Schools Grant	(173,568)
(96,426) Housing Benefits	(88,866)
(1,148) Housing Benefits Admin Grant	(1,146)
(732) Discretionary Housing Payments	(1,103)
(28,311) Public Health Grant	(29,868)
(12,234) Pupil Premium	(12,493)
(2,547) Improved Better Care Fund	(18,673)
(1,423) Wirral Ways to Work	(1,286)
(1,521) 16-19 Further Education	(825)
0 Sixth Form Funding	(1,238)
(2,840) Universal Infant Free School Meals	(2,716)
(1,525) PE and Sports Grant	(1,356)
(551) Youth Justice Board	(565)
(1,327) Teachers' Pay Grant	(1,545)
(2,546) Teachers' Pension Employers Contribution Grant	(4,502)
(1,472) Troubled Families	(1,102)
(373) Free School Meals (FSM) Supplementary	(455)
0 Holiday Activities & Food Programme 2020-21	(316)
(263) Adoption Support Fund	(323)
(553) Asylum Seekers	(228)
(239) Step Up to Social Work	(872)
(351) School improvement/monitor/brokerage grant	(360)
0 Covid 19 Catch Up Premium (Schools 2020-21)	(1,003)
0 Community Discharge Grant	(950)
(290) Other Grants (less than £250k)	(620)
0 Covid - Principle Credited to Services (detailed in table below)	(31,101)
<b>(319,172) Total</b>	<b>(377,080)</b>

## Covid-19 Grant Income

<b>Covid Grant Classification</b>	<b>2020/21 £000</b>
<b>Principal - Taxation and Non Specific</b>	
Emergency Covid-19 Funding (Tranche 1 to 3)	(12,076)
Other (less than £10m)	(17,897)
<b>Total Principal Taxation and Non Specific</b>	<b>(29,973)</b>
<b>Total Principal - Credited to Services</b>	<b>(31,101)</b>
<b>Agent</b>	
Small Business Grant Fund (SBGF) & Retail, Hospitality and Leisure Grant Fund (RHLGF)	(49,970)
BEIS - Local Restriction Support Grants (LRSG) Closed Business Lockdown Payment (One-off)	(15,462)
Section 31 Grants - Business Rates Relief	(33,430)
Other (less than £10m)	(33,695)
<b>Total - Agent</b>	<b>(132,557)</b>
<b>Total - Covid Grants</b>	<b>(193,631)</b>

The Council has received several 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:

### Grants Receipts in Advance (Capital Grants) - Long Term Liabilities

<b>2019/20 £000</b>	<b>2020/21 £000</b>
(290) Cluster of Empty Homes	(191)
(67) Mulberry Properties	(67)
<b>(357) Total</b>	<b>(258)</b>

## Note 37 - 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.

#### 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 2019 / 2020 £000	Precept / Levy 2020 / 2021 £000
Merseyside Police Authority	2	18,883	19,918
Merseyside Fire & Rescue Service	4	8,074	8,361
Merseyside Recycling and Waste Authority	2	17,182	17,387
Merseyside Port Health	5	30	105
Environment Agency	1	0	177
Liverpool City Region Combined Authority	9	21,736	23,908

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 for Pooled Budgets.

The Council also acts as the administering authority to Merseyside Pension Fund and charged the Fund £3.7m 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 2020/21 amounted to £11.0m, these are detailed below:

The Council has significant influence over Wirral Evolutions Limited through its 100% ownership of 100% of the company. The Council purchased adult social care services to the value of £6.38m from the company in 2020/21 (£6.52m in 2019-20).

The Council also has significant influence over Edsential Community Interest Company through its joint ownership (50%) of 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 £3.02m in 2020/21 (£4.8m in 2019-20) The Council also guarantees the Merseyside Pension Fund element of Edsentials' pension liability, which equates to £1.6m.

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 2021 and has not been reflected in the 2020/21 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 2020/21 is shown in the Members Allowances Note.

During 2020/21, works and services to the value of £14.9m were commissioned from companies and £1.0m charged to organisations in which Members and Officers had an interest. The year-end creditors balance owed to these companies is £0.4m. And the debtors balance owed from the companies is £0.2m.

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 2020/21:

<b>Organisation</b>	<b>Member/Officer</b>
Tam O'Shanter Cottage Trust	CLlr Bruce Berry CLlr Gillian Wood
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 Janette Williamson
Greasby Community Association	CLlr Wendy Clements
Greasby Allotment Holders	CLlr Wendy Clements
Cheshire and Wirral Partnership (CWP ) Trust	CLlr Andrew Corkhill
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

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 2020/21.

## 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 shown in the following table with Members and Officers of the Council held interests in the following companies during 2020/21.

<b>Company</b>	<b>Control / Interest</b>	<b>Directors</b>	<b>Company Status</b>	<b>Members and Officers of the Council held interests</b>
Edsential CIC	Joint Venture	Simone White Joanne Helen Beer Ian Philip McGrady Elaine McGunigall Jane Helen Ownes Mark Parkinson Nicola Wetton Adrian Francis Whiteley	Active	CLlr Anita Leech Officer Simone White
Wirral Growth Company LLP	Limited liability Partnership	Muse Developments Ltd Wirral Borough Council	Active	CLlr Tony Jones CLlr Thomas Usher CLlr George Davies Officer David Armstrong Officer Daniel Kirwan Officer Paul Boyce
Wirral Evolutions Ltd	Subsidiary	Lisa Knight Michael Howard Naden Jean Stephens Pamala Joyce Williams	Active	CLlr Anita Leech
Wirral Growth Company Nominee	Subsidiary	David Armstrong	Dormant	Officer David Armstrong
Wirral Holdings Ltd	Subsidiary	Paul Satoor	Dormant	Officer Paul Satoor

## Note 38 - Capital Expenditure and Capital Financing

The Council's Capital Financing requirement has risen in years as capital costs of £46.5m with funding set aside of £32.3m. The overall Capital Financing requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
<b>345,788</b>	Opening Capital Financing Requirement	<b>348,521</b>
	Capital Investment:	
24,669	Property Plant and Equipment	31,650
53	Investment Property	
	Intangible Assets	22
15,085	Revenue Expenditure Funded from Capital Under Statute	14,662
171	Other Capital Expenditure	131
<b>39,978</b>	<b>Total Capital Spending</b>	<b>46,465</b>
	Sources of Finance:	
(8,312)	Capital receipts - Applied to Capital Expenditure	(784)
(4,469)	Capital receipts - Applied to MRDF	(4,469)
(18,387)	Government Grants and other contributions	(20,270)
	Sums set aside from revenue:	
0	- Direct revenue contributions	(99)
(6,077)	- Minimum revenue provision	(6,716)
<b>(37,245)</b>	<b>Total Sources of Finance</b>	<b>(32,338)</b>
<b>348,521</b>	<b>Closing Capital Financing Requirement</b>	<b>362,648</b>
<b>Explanation of movements in year</b>		
<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
2,733	Increase in underlying need to borrow (unsupported by government financial assistance)	14,127
<b>2,733</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>14,127</b>

## Note 39 - 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.

Property	Lessee	Remaining Term
Wirral Country Park Caravan Site (Touring)	The Caravan Club Ltd	8 Years
Wirral Country Park Caravan Site (Static)	The Caravan Club Ltd	28 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 interest in the properties acquired by the lessees and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

The gross investment is made up of the following amounts:	
31 March 2020	31 March 2021
£000	£000
<b>Finance lease debtor (net present value of minimum lease payments):</b>	
4 - current	4
269 - non-current	264
273 Unearned finance income	259
<b>546 Gross investment in the lease</b>	<b>527</b>

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 2020	31 March 2021	31 March 2020	31 March 2021
£000	£000	£000	£000
19	19	8	8
75	75	29	29
452	433	81	79
<b>546</b>	<b>527</b>	<b>118</b>	<b>116</b>

### Authority as Lessee: Operating Leases

The Council was committed at 31 March 2021 to making payments of £1.5m under operating leases. The future minimum lease payments due under non-cancellable leases in future years are as follows:

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(648)	Not later than one year	(608)
(1,458)	Later than one year and not later than five years	(923)
<b>(2,106)</b>	<b>Total</b>	<b>(1,531)</b>

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(648)	Minimum lease payments	(608)
<b>(648)</b>	<b>Total</b>	<b>(608)</b>

#### 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.

Of the £1.5m, £301k relates to leases that have ended, but where the building remains occupied whilst new leases are negotiated. These have been 'held over' for the forthcoming twelve months at the existing minimum lease payment.

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
1,456	Not later than one year	1,513
3,210	Later than one year and not later than five years	2,560
5,377	Later than five years	4,816
<b>10,043</b>	<b>Total</b>	<b>8,889</b>

## Note 40 - 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 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. University Academy Birkenhead, Weatherhead High, Hilbre High, Wirral Grammar School, Kingsway Academy, Bebington High and Prenton High have adopted Academy status. 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. An onerous contract has been recognised in the CIES and balance sheet for future costs as a creditor for £1.3m, this recognises the unavoidable costs of meeting the obligation under the PFI contract, for a period of 18 months.

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:

<b>Movement in PFI Assets</b>				
<b>2020/21</b>	<b>Leasowe Primary</b>	<b>South Wirral High</b>	<b>Bebington High</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>				
at 1 April 2020	2,737	13,191	0	15,928
Additions	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3	1,711	0	1,714
Derecognition – disposals	13	(1,500)	0	(1,487)
<b>at 31 March 2021</b>	<b>2,753</b>	<b>13,402</b>	<b>0</b>	<b>16,155</b>
<b>Accumulated Depreciation and Impairment</b>				
at 1 April 2019	(0)	0	0	0
Depreciation charge	(50)	(383)	0	(433)
Depreciation written out to the Revaluation Reserve	50	383	0	433
<b>at 31 March 2021</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Book Value:</b>				
<b>at 31 March 2021</b>	<b>2,753</b>	<b>0</b>	<b>0</b>	<b>16,155</b>
<b>at 1 April 2020</b>	<b>2,737</b>	<b>13,191</b>	<b>0</b>	<b>15,928</b>

<b>2019/20</b>	<b>Leasowe Primary</b>	<b>South Wirral High</b>	<b>Bebington High</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>				
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)
<b>at 31 March 2020</b>	<b>2,737</b>	<b>13,191</b>	<b>0</b>	<b>15,928</b>
<b>Accumulated Depreciation and Impairment</b>				
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
<b>at 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Book Value:</b>				
<b>at 31 March 2020</b>	<b>2,737</b>	<b>13,191</b>	<b>0</b>	<b>15,928</b>
<b>at 1 April 2019</b>	<b>2,697</b>	<b>12,550</b>	<b>11,745</b>	<b>26,992</b>

#### Payments due under PFI Schemes

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

#### Payments due under PFI schemes

<b>Reimbursement of Capital Expenditure</b>	<b>Payment for Services</b>	<b>Lease Liability</b>	<b>Interest</b>	<b>Lifecycle Costs</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payable within one year	4,741	2,465	3,613	2,036	12,855
Payable within two to five years	20,147	13,084	16,288	4,741	54,260
Payable within six to ten years	28,617	20,938	23,613	2,981	76,149
Payable within eleven to fifteen years	2,428	425	475	176	3,504
<b>Total</b>	<b>55,933</b>	<b>36,912</b>	<b>43,989</b>	<b>9,934</b>	<b>146,768</b>

The unitary payment in 2020/21 is £12.705m (2019/20 £12.458m), allocated as follows:

<b>2019/20</b>	<b>2020/21</b>
<b>Total</b>	<b>Total</b>
<b>£000</b>	<b>£000</b>
4,570 Service Costs	4,673
3,952 Interest and Similar Charges	3,828
1,074 Lease Liability	1,514
2,862 Life Cycle Costs	2,690
<b>12,458 Total</b>	<b>12,705</b>

## 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.

### Movement in PFI Liabilities

<b>2019/20</b>		<b>2020/21</b>
<b>Total</b>		<b>Total</b>
<b>£000</b>		<b>£000</b>
42,418	Balance outstanding at start of year	39,558
(2,860)	Payments during the year	(2,646)
<b>39,558</b>	<b>Balance outstanding at year-end</b>	<b>36,912</b>

## Note 41 - 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 2020/21, the Council paid £14.9m (2019/20: £12.62m) 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 £14.21m. 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 2021, the Council's own contributions are negligible. In 2020/21 the Council paid £0.152m (2019/20: £0.159m) 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 £0.146m. The Council is not liable to the Scheme for any other entities' obligations under the plan.

## Note 42 - 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, 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 must 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 the Pension Schemes Accounted for as Defined Contribution Schemes note. 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:

### General Fund Transactions

2019/20				2020/21			
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
<b>Comprehensive Income and Expenditure Statement</b>							
<b>Cost of Services</b>							
				<b>Service cost comprising:</b>			
39,364	0	0	39,364	37,022	0	0	37,022
4,484	0	0	4,484	78	0	0	78
742	0	0	742	1,363	0	0	1,363
207	0	0	207	0	0	0	0
575	0	0	575	604	0	0	604
11,080	929	623	12,632	9,763	736	531	11,030
<b>56,452</b>	<b>929</b>	<b>623</b>	<b>58,004</b>	<b>48,830</b>	<b>736</b>	<b>531</b>	<b>50,097</b>
				<b>Total charged to Surplus and Deficit on Provision of Services</b>			

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

Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total		Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total
£000	£000	£000	£000		£000	£000	£000	£000
				<b>Re-measurement of the net defined benefit liability comprising:</b>				
32,887	0	0	32,887	Return on plan assets (excluding the amount included in the net interest expense)	(154,973)	0	0	(154,973)
4,113	(4,310)	444	247	Actuarial gains and losses - experience	(31,535)	(746)	(357)	(32,638)
(95,200)	(1,707)	(2,040)	(98,947)	Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
(31,836)	(413)	(405)	(32,654)	Actuarial gains and losses arising on changes in financial assumptions	237,619	3,232	1,437	242,288
<b>(90,036)</b>	<b>(6,430)</b>	<b>(2,001)</b>	<b>(98,467)</b>	<b>Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>51,111</b>	<b>2,486</b>	<b>1,080</b>	<b>54,677</b>
<b>(33,584)</b>	<b>(5,501)</b>	<b>(1,378)</b>	<b>(40,463)</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>99,941</b>	<b>3,222</b>	<b>1,611</b>	<b>104,774</b>

## 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. The total liability at 31 March 2021 is £551.6m (£472.4m 2019/20).

2019/20				2020/21			
Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total	Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total
<b>Movement in Reserves Statement</b>							
£000	£000	£000	£000	£000	£000	£000	£000
(56,452)	(929)	(623)	(58,004)	(48,830)	(736)	(531)	(50,097)
Reversal of net charges made to the Surplus or Deficit on the Provision of Services							
21,418	2,599	2,512	26,529	20,633	2,547	2,401	25,581
Employers' contributions payable to scheme							
2019/20				2020/21			
Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Pensions Assets and Liabilities Recognised in Total the Balance Sheet	Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total
£000	£000	£000	£000	£000	£000	£000	£000
(1,553,095)	(31,913)	(23,322)	(1,608,330)	(1,796,667)	(32,588)	(22,532)	(1,851,787)
Present value of the defined obligation							
1,135,941	0	0	1,135,941	1,300,205	0	0	1,300,205
Fair value of plan assets							
<b>(417,154)</b>	<b>(31,913)</b>	<b>(23,322)</b>	<b>(472,389)</b>	<b>(496,462)</b>	<b>(32,588)</b>	<b>(22,532)</b>	<b>(551,582)</b>
<b>Net (liability) / asset arising from the defined benefit obligation</b>							

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

2019/20				2020/21			
Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total	Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total
£000	£000	£000	£000	£000	£000	£000	£000
1,162,985	0	0	1,162,985	1,135,941	0	0	1,135,941
Opening fair value of scheme assets							
27,615	0	0	27,615	27,057	0	0	27,057
Interest income							
<b>Re-measurement gain / (loss):</b>							
(32,887)	0	0	(32,887)	154,973	0	0	154,973
- The return on plan assets, excluding the amount included in the net interest expense							
21,418	2,599	2,512	26,529	20,633	2,547	2,401	25,581
Contributions from employer							
7,279	0	0	7,279	7,673	0	0	7,673
Contributions from employees into the scheme							
(46,608)	(2,599)	(2,512)	(51,719)	(45,468)	(2,547)	(2,401)	(50,416)
Benefits / transfers paid							
(575)	0	0	(575)	(604)	0	0	(604)
Administration expenses							
(3,286)	0	0	(3,286)	0	0	0	0
Assets Extinguished on Settlement							
<b>1,135,941</b>	<b>0</b>	<b>0</b>	<b>1,135,941</b>	<b>1,300,205</b>	<b>0</b>	<b>0</b>	<b>1,300,205</b>
<b>Closing value of scheme assets</b>							

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

2019/20				2020/21			
Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Movements in the Fair Value of Scheme Total Liabilities	Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total
£000	£000	£000	£000	£000	£000	£000	£000
(1,635,141)	(40,013)	(27,212)	(1,702,366)	(1,553,095)	(31,913)	(23,322)	(1,608,330)
(39,364)	0	0	(39,364)	(37,022)	0	0	(37,022)
(38,695)	(929)	(623)	(40,247)	(36,820)	(736)	(531)	(38,087)
(7,279)	0	0	(7,279)	(7,673)	0	0	(7,673)
0	0	0	0	0	0	0	0
(4,113)	4,310	(444)	(247)	31,535	746	357	32,638
95,200	1,707	2,040	98,947	0	0	0	0
31,836	413	405	32,654	(237,619)	(3,232)	(1,437)	(242,288)
(4,484)	0	0	(4,484)	(78)	0	0	(78)
(742)	0	0	(742)	(1,363)	0	0	(1,363)
46,608	2,599	2,512	51,719	45,468	2,547	2,401	50,416
3,079	0	0	3,079	0	0	0	0
<b>(1,553,095)</b>	<b>(31,913)</b>	<b>(23,322)</b>	<b>(1,608,330)</b>	<b>(1,796,667)</b>	<b>(32,588)</b>	<b>(22,532)</b>	<b>(1,851,787)</b>



Significant Assumptions by the Actuary have been:

<b>2019/20</b>	<b>Local Government Pension Scheme</b>	<b>2020/21</b>
Mortality assumptions		
Longevity at retirement for current pensioners		
20.9	Men	21.0
24.0	Women	24.1
Longevity at retirement for future pensioners		
22.5	Men	22.6
25.9	Women	26.0
Other assumptions		
2.1%	Rate of inflation	2.7%
3.6%	Rate of increase in salaries	4.2%
2.2%	Rate of increase in pensions	2.8%
2.4%	Rate for discounting scheme liabilities	2.1%

<b>2019/20</b>	<b>Teachers' Unfunded</b>	<b>2020/21</b>
Mortality assumptions		
Longevity at retirement for current pensioners aged 75		
12.5	Men	12.5
14.9	Women	15.0
Longevity at retirement for current pensioners aged 65		
20.9	Men	21.0
24	Women	24.1
Other assumptions		
2.1%	Rate of inflation	2.7%
2.2%	Rate of increase in pensions	2.8%
2.4%	Rate for discounting scheme liabilities	2.1%

<b>Increase by 0.1%</b>	<b>LGPS £000</b>	<b>Teachers' Unfunded £000</b>
Longevity	56,701	1,162
Rate of inflation	28,930	167
Rate of increase in salaries	3,469	0
Rate for discounting scheme liabilities	(28,480)	(163)

## Note 43 - 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.

<b>2020/21</b>				
<b>Fund</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
EF Callister	0	0	373	0
Criminal Injuries	0	0	6	0
Other	0	0	82	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>461</b>	<b>0</b>

<b>2019/20</b>				
<b>Fund</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
EF Callister	0	0	373	0
Criminal Injuries	0	0	6	0
Other	0	0	82	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>461</b>	<b>0</b>

## Note 44 - 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 2021. 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 45 - 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, along with a limit on the amount that can be invested for a period longer than a year. These limits can be found within the 'Treasury Management Strategy Statement'.

The table below summarises the credit risk exposures of the Council's investment portfolio at 31 March 2021 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:

Credit Rating *	Maturity of Investment					Balance Invested as at 31.03.21	Balance Invested as at 31.03.20
	Cash Equivalent	Short Term Investment	3-6 Months	6-12 Months	Long Term Investment		
	£000	£000	£000	£000	£000		
AAA	23,917	0	0	0	0	23,917	39,500
AA-	0	0	0	0	0	0	10,000
AA	0	0	0	0	0	0	10,450
A+	941	0	0	0	0	941	10,000
A	5,000					5,000	
Unrated Subsidiaries + Corporate	0	975	0	0	0	975	975
<b>Total</b>	<b>29,858</b>	<b>975</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,833</b>	<b>70,925</b>
Credit risk not applicable*	17,000	0			0	17,000	17,000
<b>Total Investments</b>	<b>46,858</b>	<b>975</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47,833</b>	<b>87,925</b>

\* 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 2021
	£000
Less than three months	7,524
Three to six months	1,123
Six months to one year	2,588
More than one year	687
<b>Total</b>	<b>11,922</b>

## 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 2021 was as follows:

Liquidity Risk	31 March 2020	31 March 2021
	£000	£000
Less than one year	146,692	88,198
Between one and two years	837	3,674
Between two and five years	11,918	9,467
More Than 5 Years	1,418	1,222
More Than 10 years	148,266	148,071
<b>Total</b>	<b>309,131</b>	<b>250,632</b>

## 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 2020	31 March 2021
£000	£000
64,360 Gross Receivables	54,438
(18,677) Impairment	(17,709)
<b>45,683</b>	<b>36,729</b>
<b>Total</b>	

## 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 as 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 (2020: £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.

<b>Market Risk - Interest Rate Risk</b>	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>
Increase in interest payable on variable rate borrowings	835	594
Increase in interest receivable on variable rate investments	(366)	(394)
Decrease in fair value of investments held at FVPL	78	96
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>547</b>	<b>296</b>
Share of overall impact debited to the HRA		
Decrease in fair value of fixed rate investment assets	0	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>547</b>	<b>296</b>
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)	(47,042)	(47,495)
Decrease in fair value of loans and investments at amortised cost	5	0

#### 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 31<sup>st</sup> March 2021 would result in a £0.04m (2020: £0.04m) 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 46 - Restatement of 2019/20

### Cost of Services

#### Reclassification of 2019/20 Cost of Services in the Comprehensive Income and Expenditure Statement

During 2020/21, the Council restructured its Directorates. To enable comparison between 2019/20 and 2020/21, all 2019/20 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 2019/20 Comprehensive Income and Expenditure Statement, while the subsequent table shows how this aligns to the Directorate structure applied in 2020/21:

#### Original 2019/20 Comprehensive Income and Expenditure Statement cost of services

	<b>Expenditure</b>	<b>Income</b>	<b>Net</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Economic & Housing Growth	23,024	(7,085)	15,939
Business Management	135,473	(118,769)	16,704
Covid-19	109	(220)	(111)
Delivery Services	106,463	(31,865)	74,598
Childrens Services	333,100	(234,710)	98,390
Adult Care & Health	182,918	(92,242)	90,676
<b>Cost of Services</b>	<b>781,087</b>	<b>(484,891)</b>	<b>296,196</b>

## Restated Structure split by original directorate

This table shows the two years Cost of Service, original directorates and restructured.

		Expenditure	2019/20	Net
		£000	Income	£000
			£000	
<b>Revised Structure</b>	<b>Original 2019/20 Split</b>			
Chief Executive Officer	Economic & Housing Growth	267	0	267
	Business Management	1,545	(136)	1,409
<b>Chief Executive Officer Total</b>		<b>1,812</b>	<b>(136)</b>	<b>1,676</b>
Covid-19	Covid-19	109	(220)	(111)
<b>Covid-19 Total</b>		<b>109</b>	<b>(220)</b>	<b>(111)</b>
Resources	Business Management	119,763	(111,145)	8,618
	Childrens Services	177	(12)	165
	Adult Care & Health	0	0	0
<b>Resources Total</b>		<b>119,940</b>	<b>(111,157)</b>	<b>8,783</b>
Neighbourhood Services	Business Management	4,186	(567)	3,619
	Delivery Services	87,050	(26,938)	60,112
	Childrens Services	4,008	(814)	3,194
<b>Neighbourhood Services Total</b>		<b>95,244</b>	<b>(28,319)</b>	<b>66,925</b>
Law & Governance (Monitoring Officer)	Business Management	8,905	(2,601)	6,304
<b>Law &amp; Governance (Monitoring Officer) Total</b>		<b>8,905</b>	<b>(2,601)</b>	<b>6,304</b>
Regeneration & Place	Economic & Housing Growth	22,757	(7,085)	15,672
	Business Management	449	0	449
	Delivery Services	19,413	(4,927)	14,486
	Adult Care & Health	1	0	1
<b>Regeneration &amp; Place Total</b>		<b>42,620</b>	<b>(12,012)</b>	<b>30,608</b>
Children, Families & Education	Business Management	276	(335)	(59)
	Childrens Services	328,915	(233,883)	95,032
<b>Children, Families &amp; Education Total</b>		<b>329,191</b>	<b>(234,218)</b>	<b>94,973</b>
Adults Care and Health and Strategic Commissionin	Business Management	820	(406)	414
	Adult Care & Health	182,917	(92,243)	90,674
<b>Children, Families &amp; Education Total</b>		<b>183,737</b>	<b>(92,649)</b>	<b>91,088</b>
Corporate	Business Management	(471)	(3,579)	(4,050)
<b>Corporate Total</b>		<b>(471)</b>	<b>(3,579)</b>	<b>(4,050)</b>
	<b>Total</b>	<b>781,087</b>	<b>(484,891)</b>	<b>296,196</b>

	2019/20		Net £000
	Expenditure £000	Income £000	
Chief Executive Officer	1,812	(136)	1,676
Covid-19 Resources	109	(220)	(111)
Neighbourhood Services	119,940	(111,157)	8,783
Law & Governance (Monitoring Officer)	95,244	(28,319)	66,925
Regeneration & Place	8,905	(2,601)	6,304
Children, Families & Education	42,620	(12,012)	30,608
Adults Care and Health and Strategic Commissionin	329,191	(234,218)	94,973
Corporate	183,737	(92,649)	91,088
	(471)	(3,579)	(4,050)
<b>Cost of Services</b>	<b>781,087</b>	<b>(484,891)</b>	<b>296,196</b>
Other Operating Expenditure	41,312		41,312
Financing and Investment Income and Expenditure	56,690	(3,770)	52,920
Surplus or Deficit on Discontinued Operations			0
Taxation and Non Specific Grant Income		(334,651)	(334,651)
<b>Surplus or Deficit on Provision of Services</b>	<b>879,089</b>	<b>(823,312)</b>	<b>55,777</b>
Surplus or deficit on revaluation of Property, Plant and Equipment			(46,549)
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			326
Remeasurement of the net defined benefit liability / asset			(98,467)
<b>Other Comprehensive Income and Expenditure</b>			<b>(144,690)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(88,913)</b>



# 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.

Business Rates expenditure is based on estimates of the income in the January prior to the start of the financial year. In response to the COVID-19 pandemic, Central Government subsequently announced a number of Business Rates reliefs, reducing the income recognised and therefore resulting in a significant deficit. Councils and precepting authorities have received additional Section 31 grants to compensate for the reliefs, and recovery of the deficit will be over 3 years from 2021/22.

2019/20			2020/21		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
<b>INCOME</b>					
0	(175,038)	(175,038)	0	(181,637)	(181,637)
(71,829)	0	(71,829)	(34,953)	0	(34,953)
<b>(71,829)</b>	<b>(175,038)</b>	<b>(246,867)</b>	<b>(34,953)</b>	<b>(181,637)</b>	<b>(216,590)</b>
<b>EXPENDITURE</b>					
<b>Apportionment of Previous Years Surplus</b>					
68	500	568	175	1,590	1,765
0	60	60	0	210	210
1	30	31	2	80	82
0	0	0	0	20	20
<b>69</b>	<b>590</b>	<b>659</b>	<b>177</b>	<b>1,900</b>	<b>2,077</b>
<b>Precepts, Demands and Shares</b>					
69,478	142,436	211,914	71,733	148,862	220,595
0	18,884	18,884	0	19,918	19,918
702	7,371	8,073	725	7,555	8,280
0	1,777	1,777	0	1,785	1,785
<b>70,180</b>	<b>170,468</b>	<b>240,648</b>	<b>72,458</b>	<b>178,120</b>	<b>250,578</b>
<b>Charges to Collection Fund</b>					
222	1,337	1,559	1,172	1,204	2,376
717	3,199	3,916	153	3,353	3,506
(128)	0	(128)	(280)	0	(280)
403	0	403	1,306	0	1,306
328	0	328	325	0	325
3	0	3	3	0	3
<b>1,545</b>	<b>4,536</b>	<b>6,081</b>	<b>2,679</b>	<b>4,557</b>	<b>7,236</b>
<b>(35)</b>	<b>556</b>	<b>521 (Surplus) / Deficit arising during the year</b>	<b>40,361</b>	<b>2,940</b>	<b>43,301</b>
<b>321</b>	<b>(1,370)</b>	<b>(1,049) (Surplus) / Deficit b/fwd 1st April</b>	<b>286</b>	<b>(814)</b>	<b>(528)</b>
<b>286</b>	<b>(814)</b>	<b>(528) (Surplus) / Deficit c/fwd 31 March</b>	<b>40,647</b>	<b>2,126</b>	<b>42,773</b>

## 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 Combined Authority. At the time of setting council tax for 2020/21, the tax base was estimated as 93,965.9 band D equivalent properties. The table below shows the number of band D equivalent properties in each valuation band, with 2019/20 also included for comparison.

<b>2020/21</b>					
<b>Band</b>	<b>Valuation band limits</b>	<b>Calculated no of dwellings</b>	<b>Ratio to band D</b>	<b>Equated No of dwellings</b>	<b>Council Tax payable</b>
	<b>£</b>	<b>No</b>		<b>No</b>	<b>£</b>
Disabled A	1/9th of Band A	69.0	5/9	38.0	
A	Upto and including - 40,000	35,725.0	6/9	23,817.0	1,263.72
B	40,001 - 52,000	25,260.0	7/9	19,647.0	1,474.34
C	52,001 - 68,000	23,427.0	8/9	20,824.0	1,684.97
D	68,001 - 88,000	11,902.0	9/9	11,902.0	1,895.58
E	88,001 - 120,000	7,528.0	11/9	9,201.0	2,316.82
F	120,001 - 160,000	4,022.0	13/9	5,810.0	2,738.06
G	160,001 - 320,000	2,946.0	15/9	4,910.0	3,159.30
H	More than - 320,001	237.0	18/9	474.0	3,791.16
				Adjustment	97.25%
				Council tax base	93,965.9

<b>2019/20</b>					
<b>Band</b>	<b>Valuation band limits</b>	<b>Calculated no of dwellings</b>	<b>Ratio to band D</b>	<b>Equated No of dwellings</b>	<b>Council Tax payable</b>
	<b>£</b>	<b>No</b>		<b>No</b>	<b>£</b>
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

## 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 2021 is £188.7m (£191.5m as at 31 March 2020). 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:

<b>Rateable Value</b>	<b>2019/20 multiplier (pence)</b>	<b>2020/21 multiplier (pence)</b>
Up to £51,000	49.1	49.9
Over £51,000	50.4	51.2



# 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.

### Capitalisation Directive

This is where the council can apply to borrow money to fund Revenue in exceptional circumstances due to factors beyond the local authority's control i.e. Covid 19

The costs that can be capitalised are expenditure costs as they are incurred, the Council will charge a Minimum Revenue Provision (MRP) over the life of the assets, in the case of a directive this is no more than 20 years.

### 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 life 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 earned by employees in the current year.

#### Curtailement (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 Statute (REFCUS)

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

### Scheme Liabilities

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

### Unfunded Defined Benefit Scheme

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

### Unsupported (Prudential) Borrowing

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

### Useful Life

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



# Merseyside Pension Fund Accounts

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## MERSEYSIDE PENSION FUND ACCOUNTS

2019/20 £000	FUND ACCOUNT - For the year ended 31 March 2021	Note	2020/21 £000
	<b>Dealing with members, employers and others directly involved in the fund:</b>		
247,526	Contributions Receivable	7	337,417
18,152	Transfers In	8	15,214
265,678			352,631
(352,107)	Benefits Payable	9	(350,641)
(18,039)	Payments to and on account of Leavers	10	(16,874)
(370,146)			(367,515)
<b>(104,468)</b>	<b>Net additions/(withdrawals) from dealing with members</b>		<b>(14,884)</b>
(41,310)	Management Expenses	11	(39,790)
<b>(145,778)</b>	<b>Net additions/(withdrawals) including Fund Management Expenses</b>		<b>(54,674)</b>
	<b>Return on Investments:</b>		
208,623	Investment Income		191,236
(301,967)	Profit and Losses on Disposal of Investments and Change in Market Value of Investments		1,172,818
(4,864)	Taxes on Income		(4,304)
<b>(98,208)</b>	<b>Net Return on Investments</b>		<b>1,359,750</b>
(243,986)	Net Increase/(Decrease) in the Fund during the year		1,305,076
8,882,738	Net Assets of the Fund at the start of the year		8,638,752
<b>8,638,752</b>	<b>Net Assets of the Fund at the end of the year</b>		<b>9,943,828</b>
2019/20 £000	NET ASSETS STATEMENT - For the year ended 31 March 2021	Note	2020/21 £000
	<b>Investment Assets</b>	13	
2,483,568	Equities		3,213,636
696,229	Bonds		696,000
4,432,443	Pooled Investment Vehicles		5,257,113
171,194	Derivative Contracts		403,815
471,925	Direct Property		463,725
86,076	Loans		78,110
105,010	Short Term Cash Deposits		125,018
181,507	Other Investment Balances		144,548
<b>8,627,952</b>			<b>10,381,965</b>
<b>(21,063)</b>	<b>Investment Liabilities</b>	14	<b>(465,355)</b>
<b>8,606,889</b>	<b>Total Net Investment Assets</b>		<b>9,916,610</b>
6,337	Long Term Assets	19	3,337
41,621	Current Assets	20	40,433
(16,095)	Current Liabilities	20	(16,552)
<b>8,638,752</b>	<b>Net Assets of the Fund as at 31 March</b>		<b>9,943,828</b>

### 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.

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2020/21 included ten 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 Administering Authority with ensuring compliance and the effective governance and administration of the Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to Merseyside Pension Fund Annual Report 2020/21 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 administered by Wirral Council to provide pensions and other benefits for pensionable employees of the Merseyside Local Authorities and a range of other scheduled and admitted bodies. Teachers, Police Officers and Fire Fighters are not included as they come within other national pension schemes.

#### **B) Membership**

Membership of the LGPS is voluntary and employees are free to choose whether to 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 209 employer organisations within Merseyside Pension Fund including Wirral Council itself. The Fund has 140,023 members as detailed below:

<b>31 March 2020 207</b>	<b>Number of Employers with Active Members</b>	<b>31 March 2021 209</b>
46,745	Number of Employees in Scheme	47,193
46,435	Number of Pensioners	47,032
6,595	Number of Dependants	6,503
40,185	Number of Deferred Pensioners	39,295
<b>139,960</b>	<b>Total Number of Members in the Scheme</b>	<b>140,023</b>

### 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:

	<b>Service pre 1 April 2008</b>	<b>Service post 31 March 2008</b>
<b>Pension</b>	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
<b>Lump sum</b>	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 2020/21 financial year and its position at year end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 in 2019/20 are a change in presentation only, the requirements of the code were previously met.

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 normal contributions and 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 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, as demanded for 2020/21, for 2019/20 rent was accounted for in the period it related to. Rent is shown net of related expenses.

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 2021 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.

There have been a number of material factors which continue to 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 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 there is a successful worldwide vaccine programme or other successful cure is found for COVID-19.

## **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 2021 was £4,609 million (£4,289 million at 31 March 2020).

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 2020/21 the property valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS valuation – Global Standards. In 2019/20, due to COVID-19, the property valuation was reported on the basis of 'material valuation uncertainty' and stated consequently, less certainty, and a higher degree of caution should be attached to the valuation than normally would be the case.

For 2020/21 there remains 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 2021 and maybe subject to variations as further information becomes available. Note 15 sets out a sensitivity analysis of such assets valued at level 3.

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 6 Events after the Reporting Date**

There have been no events since 31 March 2021, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

## Note 7 Contributions Receivable

Contributions are made by active members of the Fund in accordance with the LGPS and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2020/21 contributions above were calculated at the valuation dated 31 March 2019. The 2019 actuarial valuation calculated the average primary employer contribution of rate of 17.2% (2016 15.4%). The Fund has received additional and upfront payments covering a three year period, until the next actuarial valuation in 2022, totaling £94.7 million (in 2019/20 £nil).

"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 2020/21 the Fund has received additional and upfront payments, totaling £3.1 million, (in 2019/20 £22.4 million).

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2020/21 no such charges were levied.

<b>2019/20</b>	<b>Contributions Receivable</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
	<b>Employers</b>	
137,903	Normal	257,619
9,726	Pension Strain	4,665
41,501	Deficit Funding	14,500
<b>189,130</b>	<b>Total Employers</b>	<b>276,784</b>
	<b>Employees</b>	
58,396	Normal	60,633
<b>247,526</b>		<b>337,417</b>
	<b>Relating to:</b>	
27,826	Administering Authority	27,478
175,241	Statutory Bodies	282,567
44,459	Admission Bodies	27,372
<b>247,526</b>		<b>337,417</b>

## Note 8 Transfers In

<b>2019/20</b>	<b>Transfers In</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
18,152	Individual transfers	15,214
<b>18,152</b>		<b>15,214</b>

There were no group transfers to the Fund during 2020/21.

## Note 9 Benefits Payable

<b>2019/20</b>	<b>Benefits payable</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
278,801	Pensions	287,859
66,288	Lump Sum Retiring Allowances	55,869
7,018	Lump Sum Death Benefits	6,913
<b>352,107</b>		<b>350,641</b>
	<b>Relating to:</b>	
48,313	Administering Authority	47,540
246,651	Statutory Bodies	247,375
57,143	Admission Bodies	55,726
<b>352,107</b>		<b>350,641</b>

## Note 10 Payments to and on account of Leavers

<b>2019/20</b>	<b>Payments to and on account of Leavers</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
568	Refunds to Members Leaving Service	435
-	Payment for Members Joining State Scheme	-
(239)	Income for Members from State Scheme	(9)
-	Group Transfers to Other Schemes	-
17,710	Individual Transfers to Other Schemes	16,448
<b>18,039</b>		<b>16,874</b>

There were no group transfers out of the Fund during 2020/21.

## Note 11 Management Expenses

<b>2019/20</b>	<b>Management Expenses</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
3,022	Administration Costs	3,067
36,183	Investment Management Costs	34,992
2,552	Oversight and Governance Costs	2,019
(447)	Other Income	(288)
<b>41,310</b>		<b>39,790</b>

## Note 11a Administration Costs

<b>2019/20</b>	<b>Administration Costs</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
2,075	Employee Costs	2,169
667	IT Costs	643
248	General Costs	216
32	Other Costs	39
<b>3,022</b>		<b>3,067</b>

## Note 11b Investment Management Costs

2020/21

	Total	External Investment Management Fees	External Investment Management Performance Fees	External Private Market Fees	External Private Market Expenses	Transaction Costs
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	14,643	7,231	3,312			4,100
Bonds	110	110				
Pooled Investment						
Vehicles	16,712	3,179	157	7,649	5,720	7
Derivative Contracts	1,375	828				547
Loans	477				207	270
Short Term Cash Deposits	0					
Other Investment Balances	0					
		11,348	3,469	7,649	5,927	4,924
External Services	820					
Internal Investment Management Fees	855					
	<u>34,992</u>					

2019/20 - Restated

	Total	External Investment Management Fees	External Investment Management Performance Fees	External Private Market Fees	External Private Market Expenses	Transaction Costs
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	13,185	7,494	1,793			3,898
Bonds	102	102				
Pooled Investment						
Vehicles	20,351	3,287	33	8,392	8,444	195
Derivative Contracts	709	709				
Loans	378				378	
Short Term Cash	0					
Other Investment Balances	0					
		11,592	1,826	8,392	8,822	4,093
External Services	684					
Internal Investment Management Fees	774					
	<u>36,183</u>					

Property expenses are now shown within note 12a.

## 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 2020/21 is £230,382 relating to recharged Actuarial fees (2019/20 £374,145).

The External Audit fee for 2020/21 is £46,249, an additional £12,250 relates to services in respect of IAS19 assurances for admitted body auditors, which are recharged to those admitted bodies.

<b>2019/20</b>	<b>Oversight &amp; Governance Costs</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
585	Employee Costs	534
1,405	External Services	1,162
49	Internal Audit	49
46	External Audit	58
467	Other Costs	216
<b>2,552</b>		<b>2,019</b>

## Note 12 Investment Income

Rental income is shown net of any property related expenses.

Interest on loans has been accrued up to 31 March 2021.

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £8.1 million (2019/20 £9.0 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 2020/21 £2.6 million (2019/20 £nil).

<b>2019/20</b>	<b>Investment Income</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
101,798	Dividends from Equities	77,984
4,664	Income from Bonds	3,965
43,827	Income from Pooled Investment Vehicles	50,385
24,679	Net Rents from Properties	25,464
1,208	Interest on Short Term Cash Deposits	202
16,183	Income from Private Equity	24,509
14,793	Interest from Loans	6,981
1,471	Other	1,746
<b>208,623</b>		<b>191,236</b>
(4,864)	Irrecoverable Withholding Tax	(4,304)
<b>203,759</b>		<b>186,932</b>

## Note 12a Property Income

During 2020/21, the Fund switched to monthly accounting for rental income and also changed its accounting policy to account for rental income as demanded and due, this has resulted in rental income demanded and due in March 2021 being included for 2020/21, and therefore for 2020/21 rent demanded is for a period of 15 months compared to a 12 month period for 2019/20. Rental income demanded and due in March 2021, but is for the period April to June 2021 amounted to £4 million.

The outbreak of COVID-19, declared by the World Health Organisation as a 'Global Pandemic' on the 11th March 2020, has impacted global financial markets. Travel restrictions and local and national lockdowns have been implemented within the UK, impacting upon tenants occupying our investment properties and the collection of rental income. The Fund has assessed its property arrears as at 31 March 2021 (£8.3 million) and assessed that a credit loss provision to the value of £1.8 million is appropriate to reflect rental income arrears at risk and rent concessions granted for the period and is shown in note 20.

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

<b>2019/20</b>	<b>Property Income</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
30,938	Rental Income	33,138
(6,259)	Direct Operating Expenses	(7,674)
<b>24,679</b>	<b>Net Rent from properties</b>	<b>25,464</b>

## 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:

<b>2019/20</b>	<b>Age Profile of Lease Income</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
4,584	No later than one year	3,345
5,147	Between one and five years	5,327
14,386	Later than five years	16,490
<b>24,117</b>	<b>Total</b>	<b>25,162</b>

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

2020/21

	Market Value @ 31.3.20 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value** £'000	Market Value @ 31.3.21 £'000
Equities	2,483,568	1,377,745	(1,332,543)	684,866	3,213,636
Bonds	696,229	49,733	(61,334)	11,372	696,000
Pooled Investment Vehicles	4,432,443	1,298,955	(1,184,860)	710,575	5,257,113
Derivative Contracts	171,194	2,966,200	(2,983,900)	250,321	403,815
Direct Property	471,925	41,061	(16,463)	(32,798)	463,725
Loans	86,076	50,588	(55,222)	(3,332)	78,110
	<b>8,341,435</b>	<b>5,784,282</b>	<b>(5,634,322)</b>	<b>1,621,004</b>	<b>10,112,399</b>
Short Term Cash Deposits	105,010				125,018
Other Investment Balances	181,507			(5,699)	144,548
Investment Liabilities	(21,063)			(442,487)	(465,355)
	<b>8,606,889</b>			<b>1,172,818</b>	<b>9,916,610</b>

2019/20

	Market Value @ 31.3.19 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value** £'000	Market Value @ 31.3.20 £'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	0	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
	<b>8,678,304</b>	<b>2,721,149</b>	<b>(2,759,199)</b>	<b>(298,819)</b>	<b>8,341,435</b>
Short Term Cash Deposits	86,098				105,010
Other Investment Balances	104,196			(3,148)	181,507
Investment Liabilities	(8,445)				(21,063)
	<b>8,860,153</b>			<b>(301,967)</b>	<b>8,606,889</b>

Direct transaction costs are shown under investment management costs in note 11b, in accordance with CIPFA guidance. Indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the Fund.

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

## Note 13a Analysis of Investments

2019/20		2020/21
£000		£000
	<b>Equities (segregated holdings)</b>	
1,014,305	UK Quoted	1,336,937
1,469,263	Overseas Quoted	1,876,699
<b>2,483,568</b>		<b>3,213,636</b>

2019/20		2020/21
£000		£000
	<b>Bonds</b>	
<b>679,699</b>	UK Public Sector Quoted	<b>695,600</b>
<b>400</b>	UK Corporate Quoted	<b>400</b>
<b>16,130</b>	Overseas Corporate Quoted	-
<b>696,229</b>		<b>696,000</b>

2019/20		2020/21
£000		£000
	<b>Pooled Investment Vehicles</b>	
	<b>UK Managed Funds:</b>	
75,913	Equities	113,771
108,663	Private Equity	186,632
172,358	Hedge Funds	179,348
384,588	Corporate Bonds	407,569
299,982	Infrastructure	357,193
216,442	Opportunities	315,160
	<b>Overseas Managed Funds:</b>	
564,600	Equities	722,853
518,898	Private Equity	527,954
102,410	Hedge Funds	113,437
62,884	Corporate Bonds	84,315
251,592	Infrastructure	245,611
68,655	Opportunities	95,456
	<b>UK Unit Trusts:</b>	
72,111	Property	105,466
	<b>Overseas Unit Trusts:</b>	
214,805	Property	212,764
1,318,542	<b>Other Unitised Funds</b>	1,589,584
<b>4,432,443</b>		<b>5,257,113</b>

2019/20		2020/21
£000		£000
<b>171,194</b>	<b>Derivative Contracts</b>	<b>403,815</b>

## Note 13a Analysis of Investments (Continued)

2019/20		2020/21
£000		£000
	<b>UK Properties</b>	
345,825	Freehold	348,425
126,100	Leasehold	115,300
<b>471,925</b>		<b>463,725</b>
521,750	Balance at 1 April	471,925
21,943	Additions	41,061
(35,483)	Disposals	(16,463)
11,583	Net gain/(loss) on fair value	3,621
(47,868)	Other changes in fair value	(36,419)
471,925	Balance at 31 March	463,725

As at 31 March 2021 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.

2019/20		2020/21
£000		£000
<b>86,076</b>	<b>Loans</b>	<b>78,110</b>
<b>105,010</b>	<b>Short term cash deposits</b>	<b>125,018</b>
	<b>Other investment balances</b>	
55,729	Outstanding Trades	7,481
22,589	Outstanding Dividends Entitlements and Recoverable Withholding	20,630
103,189	Cash Deposits	116,437
<b>181,507</b>		<b>144,548</b>
<b>8,627,952</b>	<b>Total Investments Assets</b>	<b>10,381,965</b>

## 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 '000	Currency sold '000	Asset Liability	
			£'000	£'000
Up to one month	<b>GBP 68</b>	<b>HKD 731</b>	-	
Up to one month	<b>HKD 894</b>	<b>GBP 84</b>		-
			-	-
<b>Net Forward Currency Contracts at 31 March 2021</b>				<b>-</b>
<b>Prior Year Comparative</b>				
Open Forward Currency Contracts at 31 March 2020			14,439	(61)
<b>Net Forward Currency Contracts at 31 March 2020</b>				<b>14,378</b>

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 2020/21 the Fund bought a number of equity option contracts that protect it from falls in value in its main investment markets.

<b>Underlying Option Contract</b>	<b>Expires</b>	<b>Put/Call</b>	<b>Notional Holding £'000</b>	<b>Market Value 31 March 2021 £'000</b>
<b>Assets</b>				
Overseas equity purchased	One to three months	Put	-	-
Overseas equity purchased	Over three months	Put	400	<b>94,340</b>
Overseas equity purchased	Over three months	Call	650	<b>308,627</b>
<b>Total Assets</b>				<b>402,967</b>
<b>Liabilities</b>				
Overseas equity written	One to three months	Put	(490)	<b>(49,542)</b>
Overseas equity written	One to three months	Call	-	-
Overseas equity written	Over three months	Call	(400)	<b>(385,896)</b>
<b>Total Liabilities</b>				<b>(435,438)</b>
<b>Net Purchased/Written Options</b>				<b>(32,471)</b>

<b>Underlying Option Contract</b>	<b>Expires</b>	<b>Put/Call</b>	<b>Notional Holding £'000</b>	<b>Market Value 31 March 2020 £'000</b>
<b>Assets</b>				
Overseas equity purchased	One to three months	Put	306	<b>214,158</b>
Overseas equity purchased	Over three months	Put	36	<b>9,452</b>
Overseas equity purchased	Over three months	Call	72	<b>6,227</b>
<b>Total Assets</b>				<b>229,837</b>
<b>Liabilities</b>				
Overseas equity written	One to three months	Put	(356)	<b>(62,832)</b>
Overseas equity written	One to three months	Call	(307)	<b>(3,724)</b>
Overseas equity written	Over three months	Call	(36)	<b>(12,309)</b>
<b>Total Liabilities</b>				<b>(78,865)</b>
<b>Net Purchased/Written Options</b>				<b>150,972</b>

#### 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 31/3/21 £'000
<b>Assets</b>			
Total Return Swaps	Up to one year	9,581	848
<b>Total Assets</b>			<b>848</b>
<b>Liabilities</b>			
Total Return Swaps	Up to one year	(9,506)	(7,049)
<b>Total Liabilities</b>			<b>(7,049)</b>
<b>Net Swaps</b>			<b>(6,201)</b>
Type	Expires	Notional Holding £'000	Market Value 31/3/20 £'000
<b>Assets</b>			
Total Return Swaps	Up to one year	129,999	6,130
<b>Total Assets</b>			<b>6,130</b>
<b>Liabilities</b>			
Total Return Swaps	Up to one year	6,000	(287)
<b>Total Liabilities</b>			<b>(287)</b>
<b>Net Swaps</b>			<b>5,843</b>

As at 31 March 2021, the Fund held cash and non-cash collateral of £8.0 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 2021

2019/20			2020/21	
£million	%		£million	%
<b>Externally Managed</b>				
225	2.6	JP Morgan (European equities)	301	3.0
344	4.0	Nomura (Japan)	422	4.3
385	4.5	Schroders (fixed income)	408	4.1
391	4.5	Legal & General (fixed income)	447	4.5
274	3.2	Unigestion (European equities)	237	2.4
145	1.7	M&G (global emerging markets)	216	2.2
211	2.4	TT International (UK equities)	298	3.0
243	2.8	Blackrock (UK equities)	306	3.1
129	1.5	Blackrock (Pacific Rim)	-	-
244	2.8	Newton (UK equities)	306	3.1
169	2.0	Amundi (global emerging markets)	255	2.6
130	1.5	Maple-Brown Abbot (Pacific Rim equities)	183	1.8
929	10.8	State Street Global Advisor (Passive Manager)	1,146	11.6
892	10.3	State Street Global Advisor (Bonds Manager)	703	7.1
1	-	Blackrock Transition Manager	-	-
<b>4,712</b>	<b>54.6</b>	<b>Total Externally Managed</b>	<b>5,228</b>	<b>52.8</b>
<b>Internally Managed</b>				
439	5.1	UK equities	615	6.2
228	2.6	European equities	316	3.2
-	-	Asia pacific ex Japan	181	1.8
472	5.5	Property (direct)	464	4.7
371	4.3	Property (indirect)	407	4.1
628	7.3	Private equity	715	7.2
411	4.8	Hedge funds	435	4.4
585	6.8	Infrastructure	639	6.4
415	4.8	Opportunities	548	5.5
184	2.1	Global Equities Internal Factor	239	2.4
183	2.1	Short term deposits & other investments	130	1.3
<b>3,916</b>	<b>45.4</b>	<b>Total Internally Managed</b>	<b>4,689</b>	<b>47.2</b>
<b>8,628</b>	<b>100.0</b>	<b>Total</b>	<b>9,917</b>	<b>100.0</b>

As at 31 March 2021 no single investment represented more than 5% of the net assets available for benefits.

## Note 13d Stock Lending

As at 31 March 2021, £217.8 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totaling £231.8 million. Collateral is marked to market and adjusted daily. Income from Stock Lending amounted to £640,188 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 Investment Liabilities

<b>2019/20</b>	<b>Investment Liabilities</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
-	Derivative Contracts	442,487
21,063	Amounts due to Stockbrokers	22,868
<b>21,063</b>	<b>Total</b>	<b>465,355</b>

## Note 15 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 15 Fair Value – Basis of Valuation (continued)

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Level 1</b>			
<b>Quoted Equities and Pooled Investment Vehicles</b>	Published bid market price ruling on the final day of the accounting period	Not required	Not required
<b>Quoted Fixed Income Bonds and Unit Trusts</b>	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
<b>Derivatives - Futures and Options</b>	Published exchange prices at the year-end	Not required	Not required
<b>Loans</b>	Carrying Value is deemed to be fair value because expected future interest rates are not significantly different from contractual interest rates for the loan.	Not required	Not required
<b>Cash and Cash Equivalents</b>	Carrying Value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
<b>Other Investment Balances</b>	Carrying Value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required

## Note 15 Fair Value – Basis of Valuation (continued)

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Level 1</b>			
<b>Investment Debtors and Creditors</b>	Carrying Value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
<b>Level 2</b>			
<b>Unquoted Equities Investments</b>	Average of broker prices	Evaluated price feeds	Not required
<b>Unquoted Fixed Income Bonds and Unit Trusts</b>	Average of broker prices	Evaluated price feeds	Not required
<b>Unquoted Pooled Fund Investments</b>	Average of broker prices	Evaluated price feeds	Not required
<b>Derivatives - Forward Currency Contracts</b>	Market forward exchange rates at the year end	Exchange rate risk	Not required
<b>Derivatives - OTC Options and OTC Swaps</b>	Option pricing models and Swaps pricing models	Not required	Not required
<b>Pooled Property Funds and Hedge Funds where regular trading takes place</b>	Closing bid price where bid and offer prices are published - closing single price where single price is published.	NAV - based pricing set on a forward pricing basis	Not required

Note 15 Fair Value – Basis of Valuation (continued)

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Level 3</b>			
<b>Pooled Property Funds and Hedge Funds where regular trading does not takes place</b>	Valued by investment managers on a fair value basis each year using clear accounting guidance and industry best practice guidance.	NAV - based pricing set on a forward pricing basis.	Valuations are affected by any changes to the value of the financial instrument being hedged against.
<b>Direct Property</b>	Valued at fair value at the year-end using independent external Valuers in accordance with 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.
<b>Other Unquoted and Private Equities</b>	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.

## Note 15 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 2021 and 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.

<b>Level 3 Assets</b>	<b>Value at 31 March 2021 £000</b>	<b>Potential variance %</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
Property	621,018	10.0	683,120	558,916
Unquoted UK equity	108,871	15.0	125,202	92,540
Unquoted overseas equity	8,616	15.0	9,908	7,324
Hedge funds	219,986	10.0	241,985	197,987
Infrastructure	616,353	15.0	708,806	523,900
Private equity	1,288,037	15.0	1,481,243	1,094,831
<b>Total</b>	<b>2,862,881</b>			

<b>Level 3 Assets</b>	<b>Value at 31 March 2020 £000</b>	<b>Potential variance %</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
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
<b>Total</b>	<b>2,533,544</b>			

### Note 15a 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:

<b>Values at 31 March 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Investment assets</b>				
Equities	3,151,560	444	61,632	3,213,636
Bonds	695,600	400		696,000
Pooled Investment Vehicles	1,135,675	1,783,914	2,337,524	5,257,113
Derivative Contracts		403,815		403,815
Direct Property			463,725	463,725
Loans	78,110			78,110
Short Term Cash Deposits	125,018			125,018
	144,548			144,548
<b>Total Investment Assets</b>	<b>5,330,511</b>	<b>2,188,573</b>	<b>2,862,881</b>	<b>10,381,965</b>
<b>Investment liabilities</b>				
Amounts due to stockbrokers	(22,868)			(22,868)
Derivative Contracts		(442,487)		(442,487)
<b>Total Investment Liabilities</b>	<b>(22,868)</b>	<b>(442,487)</b>	<b>-</b>	<b>(465,355)</b>
<b>Net Investment Assets</b>	<b>5,307,643</b>	<b>1,746,086</b>	<b>2,862,881</b>	<b>9,916,610</b>

<b>Values at 31 March 2020*</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Investment assets</b>				
Equities	2,437,351	258	45,959	2,483,568
Bonds	679,699	16,530		696,229
Pooled Investment Vehicles	935,866	1,480,917	2,015,660	4,432,443
Derivative Contracts		171,194		171,194
Direct Property			471,925	471,925
Loans	86,076			86,076
Short Term Cash Deposits	105,010			105,010
	181,507			181,507
<b>Total Investment Assets</b>	<b>4,425,509</b>	<b>1,668,899</b>	<b>2,533,544</b>	<b>8,627,952</b>
<b>Investment liabilities</b>				
Amounts due to stockbrokers	(21,063)			(21,063)
Derivative Contracts		-		-
<b>Total Investment Liabilities</b>	<b>(21,063)</b>	<b>-</b>	<b>-</b>	<b>(21,063)</b>
<b>Net Investment Assets</b>	<b>4,404,446</b>	<b>1,668,899</b>	<b>2,533,544</b>	<b>8,606,889</b>

\*The information for 2019/20 has been restated.

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

<b>2019/20 £000</b>		<b>2020/21 £000</b>
<b>2,377,175</b>	<b>Opening balance</b>	<b>2,533,544</b>
458,262	Acquisitions	709,823
(274,441)	Disposal proceeds	(389,073)
-	Transfer into Level 3*	15,191
	Total gain/(losses) included in the fund account:	
83,618	On assets sold	75,540
(111,070)	On assets held at year end	(82,144)
<b>2,533,544</b>	<b>Closing balance</b>	<b>2,862,881</b>

\*Transferred from level 2 to level 3 in January 2021, due to an exercising an option to convert the bond to an equity in the company, the equity is unquoted.

## Note 16 Financial Instruments

### Note 16a Classification of Financial Instruments

<b>Financial Assets &amp; Liabilities at 31 March 2021</b>	<b>Assets at amortised cost £000</b>	<b>Liabilities at amortised cost £000</b>	<b>Fair value through profit and loss £000</b>	<b>Total £000</b>
<b>Financial Assets</b>				
Equities			3,213,636	3,213,636
Bonds			696,000	696,000
Pooled Investment Vehicles			5,257,113	5,257,113
Derivatives			403,815	403,815
Loans	78,110			78,110
Cash Deposits	125,018			125,018
Other Investment Balances	144,548			144,548
Long Term and Current Assets	43,770			43,770
<b>Total Financial Assets</b>	<b>391,446</b>	<b>-</b>	<b>9,570,564</b>	<b>9,962,010</b>
<b>Financial Liabilities</b>				
Derivatives			(442,487)	(442,487)
Other Investment Balances		(22,868)		(22,868)
Current Liabilities		(16,552)		(16,552)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(39,420)</b>	<b>(442,487)</b>	<b>(481,907)</b>
<b>Total Net Assets</b>	<b>391,446</b>	<b>(39,420)</b>	<b>9,128,077</b>	<b>9,480,103</b>

<b>Financial Assets &amp; Liabilities at 31 March 2020</b>	<b>Assets at amortised cost £000</b>	<b>Liabilities at amortised cost £000</b>	<b>Fair value through profit and loss £000</b>	<b>Total £000</b>
<b>Financial Assets</b>				
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
<b>Total Financial Assets</b>	<b>420,551</b>	<b>-</b>	<b>7,783,434</b>	<b>8,203,985</b>
<b>Financial Liabilities</b>				
Derivatives				-
Other Investment Balances		(21,063)		(21,063)
Current Liabilities		(16,095)		(16,095)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(37,158)</b>	<b>-</b>	<b>(37,158)</b>
<b>Total Net Assets</b>	<b>420,551</b>	<b>(37,158)</b>	<b>7,783,434</b>	<b>8,166,827</b>

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 16b Net Gains & Losses on Financial Instruments

<b>2019/20 £000</b>	<b>Net Gains and Losses on Financial Instruments</b>	<b>2020/21 £000</b>
	<b>Financial Assets</b>	
(262,534)	Fair Value through Profit and Loss	1,657,134
	Amortised Cost - realised losses on derecognition of	(9,031)
<b>(262,534)</b>	<b>Total Financial Assets</b>	<b>1,648,103</b>
	<b>Financial Liabilities</b>	
-	Fair Value through Profit and Loss	(442,487)
-	<b>Total Financial Liabilities</b>	<b>(442,487)</b>
<b>(262,534)</b>	<b>Net gains and losses on Financial Instruments</b>	<b>1,205,616</b>

### Note 16c 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 17 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 17 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 17a 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.

<b>2020/21</b>	<b>Value at 31 March 2021</b>	<b>Potential Variance</b>	<b>Value on increase</b>	<b>Value on decrease</b>
	<b>£million</b>	<b>%</b>	<b>£million</b>	<b>£million</b>
UK Equities (all equities including pooled vehicles)	1,644	19.0	1,956	1,331
US Equities	499	20.6	602	396
Canadian Equities	11	24.0	14	8
European Equities	934	22.4	1,143	725
Japanese Equities	432	20.4	520	344
Emerging Markets Equities inc Pac Rim	912	27.9	1,167	658
Global Equities (all equities including pooled vehicles)	765	19.6	915	615
UK Fixed Income Pooled Vehicles	934	8.6	1,014	853
UK Index Linked Gilts	696	7.0	744	647
Corporate Bonds	-	7.4	-	-
Pooled Property	318	12.5	358	278
Private Equity	715	28.3	917	512
Hedge Funds	293	9.3	320	266
Infrastructure	603	18.6	715	491
Other Alternative Assets	411	7.9	443	378
Loans, Short Term Deposits & Other	313	-	313	313
<b>Investment Balances</b>				
<b>Total</b>	<b>9,480</b>			
<b>2019/20</b>	<b>Value at 31 March 2020</b>	<b>Potential Variance</b>	<b>Value on increase</b>	<b>Value on decrease</b>
	<b>£million</b>	<b>%</b>	<b>£million</b>	<b>£million</b>
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	555	-	555	555
<b>Investment Balances</b>				
<b>Total</b>	<b>8,167</b>			

### 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 17b 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 2021, was £125.0 million (31 March 2020 £105.0 million). This was held on instant access accounts with the following institutions:

2019/20	Rating (S & P)	2020/21
£000		£000
41,078	Lloyds Bank	42,053
63,932	Northern Trust	72,965
-	Invesco	10,000
<b>105,010</b>	<b>Total</b>	<b>125,018</b>

## Note 17c 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 £125 million. The Fund has £6,827 million in assets which could be realised in under 7 days' notice, £833 million in assets which could be realised in under 90 days' notice and £1,820 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 2020/21 in its dealing with members of £14 million and management expenses of £39 million, this is offset by investment income of £191 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 unfavorable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

## Note 17d 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 18 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**

<b>Long Term Yields</b>	% p.a.
Market Implied RPI Inflation	3.40
<b>Solvency Funding Target Financial Assumptions</b>	
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
<b>Future Service Accrual Financial Assumptions</b>	
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 19 Long Term Assets

<b>2019/20</b>	<b>Long Term Assets</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
6,337	Assets due in more than one year	3,337
<b>6,337</b>	<b>Total</b>	<b>3,337</b>

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 2021.

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-imburement.

<b>2019/20</b>	<b>Current Assets &amp; Liabilities</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
<b>Assets</b>		
17,666	Contributions due	14,335
-	Amounts due from external managers	-
7,431	Accrued and outstanding investment income	5,385
15,402	Sundries	22,035
(90)	Provision for credit losses	(1,769)
1,212	Cash at bank	447
<b>41,621</b>	<b>Current Assets</b>	<b>40,433</b>
<b>Liabilities</b>		
-	Amounts due to external managers	-
3,222	Retirement grants due	4,920
511	Provisions	447
12,362	Miscellaneous	11,185
<b>16,095</b>	<b>Current Liabilities</b>	<b>16,552</b>
<b>25,526</b>	<b>Net Current Assets</b>	<b>23,881</b>

## Note 21 Contractual Commitments

Commitments for investments amounted to £1,015 million as at 31 March 2021. (2019/20 £1,154 million). These commitments relate to Private Equity £526.61 million, Infrastructure £210.28 million, Opportunistic Credit £94.43 million, Indirect Property £167.75 million and Other Alternatives £16.53 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 Administering 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. (2019/20 £3.9 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 £6.6 million (2019/20 £8.9 million) and a creditor of £1.1 million as at 31 March 2021 (2019/20 £337,020).

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 2021 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 Councilors 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, Merseyside Fire and Rescue Authority 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.

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

### Note 23a Key Management Personnel

The Fund's senior management during 2020/21 was comprised of seven individuals: the Director of Pensions, the Head of Pensions Administration, Senior Portfolio Managers (x3), Head of Finance & Risk and Senior Manager Operations & Information Governance, the remuneration paid to the senior management during 2020/21 was £473,338 (2019/20 £471,807 for equivalent posts). In addition, employer contributions of £80,601 (2019/20 £72,756 for equivalent posts) was also met from the Fund and charged to the Fund Account.

### Note 23b Officer Board Roles

A number of officers at MPF act in an un-remunerated board advisory capacity on investment bodies in which the Fund has an interest:

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 (£11.2 million), Aberdeen Standard Secondary Opportunities Funds (£13.3 million), BMO Asset Management (£20.5 million), GLIL (£180.3 million) and Northern Pool GP (No 1) Ltd (£81.3 million).

Owen Thorne, Portfolio Manager, acts in an un-remunerated board advisory capacity on Technology Enhanced Oil LTD (£14.5 million).

Susannah Friar, Property Manager acts in an un-remunerated board advisory capacity on seventeen investment bodies in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£3.6 million), Bridges Property Alternatives IV (£5.0 million), Century Bridge China Real Estate Fund II (£5.9 million), Phoenix Asia Secured Debt Fund (£4.7 million), Alma Property Partners (£10.9 million), Barwood Property (£12.1 million), Chenavari Real Estate Fund III (£10.1 million), Newcore Strategic Situations IV (£16.1 million), Hearthstone Residential Fund I (£18.0 million), European Student Housing Fund II (£11.4 million), Locust Point Private Credit Fund (£7.6 million), Barwood Regional Growth IV (£10.5 million), Alma Property Partners II (£5.0 million), Deutsche Finance International Fund I (£7.0 million), Locust Point Private Credit Fund II (£1.1 million), Bridges Property Alternatives V (£4.0 million), Bridges Property Alternatives III, (£5.9 million).

Adil Manzoor Portfolio Manager, acts in an un-remunerated board advisory capacity on ten investment bodies in which the Fund has an interest, Standard Life Infrastructure Fund I (£11.5 million), Standard Life Capital Infrastructure II (£9.0 million), Blackrock GRP Fund I (£7.1 million) and AMP GIF II (£13.5 million), Virtus (£27.7 million), Impax New Energy Investors III LP (£3.7 million), AMP GIF I (£31.8 million), P3P Hoddesdon LP (£6.3 million), P3P NI LP (£16.3 million) and MEIF6 (£5.9 million).

### Note 24 Additional Voluntary Contribution Investments

<b>2019/20</b>	<b>Additional Voluntary Contribution (AVC) Investments</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
	The aggregate amount of AVC investments is as follows :	
2,003	Utmost Life	2,007
5,061	Standard Life	
9,312	Prudential	
<b>16,376</b>		<b>2,007</b>
	Changes during the year were as follows:	
5,134	Contributions	
4,531	Repayments	
(237)	Change in market values	

The Equitable Life Scheme transferred to Utmost Life on 1 January 2020.

## Scheme Employers with Active Members as at 31 March 2021

### Scheduled Bodies

Academy of St Francis of Assisi	Kew Woods
Alsop High School	Kings Leadership Academy (Liverpool)
Bellerive FCJ Catholic College	Kirkby High School
Billinge Chapel End Parish Council	Knowsley Lane Primary School (Academy)
Birkdale High School (Academy)	Knowsley M.B.C.
Birkenhead High School Academy	Knowsley Town Council
Birkenhead Sixth Form College (Academy)	LDST – Liverpool Diocesan Schools Trust (Academy)
Bishop Martin CE Primary	Litherland High School (Academy)
Blacklow Brow School (Academy)	Litherland Moss Primary (Academy)
Blue Coat School (Academy)	Liverpool City Council
Brakenwood Junior School	Liverpool City Region Combined Authority (LCRCA)
Carmel College	Liverpool College (Academy)
Calday Grange Grammar School (Academy)	Liverpool John Moores University
Chesterfield High School (Academy)	Liverpool Life Science UTC (Academy)
Chief Constable	Liverpool Street Scene Services Ltd
Childwall Sports and Science Academy	Lord Derby Academy
Christ Church Moreton Primary (Academy)	Maghull High School (Academy)
Church Drive Primary	Maghull Town Council
Church Town Primary (Academy)	Merseyside Fire & Rescue Authority
Co-op Academy Bebington	Merseyside Passenger Transport Executive (MPTE)
Co-op Academy Portland	Merseyside Recycling and Waste Authority
Co-op Academy Woodslee	New Park Primary (Academy)
Cronton C of E Primary (Academy)	North Liverpool Academy
Cronton Parish Council	Nutgrove Methodist Aided Primary
Croxteth Community Primary School (Academy)	Office of the Police and Crime Commissioner for Merseyside (OPCCM)
De la Salle Academy	Oldershaw Academy
Deyes High School (Academy)	Our Lady of Pity RC Primary School (Academy)
Eccleston Parish Council	Parish CE Primary (Academy)
Edsential SLE	Park View Academy
Egremont Primary School (Academy)	Poulton Lancelyn Primary School (Academy)
Everton Free School (Academy)	Prenton High School for Girls (Academy)
Finch Woods Academy	Prescot Town Council
Formby High School (Academy)	Rainford High School (Academy)
Garston C of E Primary School (Academy)	Rainford Parish Council
Great Meols Primary School (Academy)	Rainhill Parish Council
Greenbank High School (Academy)	Rainhill High School (Academy)
Halewood Academy Centre for Learning	Rainhill St Anns CE Primary School (Academy)
Halewood C of E Primary (Academy)	Range High School (Academy)
Halewood Town Council	Roscoe Primary (Academy)
Halsnead Primary School (Academy)	School Improvement Liverpool Ltd
Harmonize (Academy)	Sefton M.B.C.
Hawthornes Free School	Shared Education Services Ltd
Heygreen Community Primary (Academy)	Shoreside Primary School
Hilbre High School (Academy)	Southport College
Hillside High School (Academy)	St Andrew's CE Primary (Academy)
Holy Trinity CE Primary (Academy)	
Hope Academy	
Hugh Baird College	
Huyton with Roby 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  
 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)  
 University of Liverpool Maths School  
 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 (Holy Family)  
 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  
 Birkenhead School (2002)  
 Bouygues E & S FM UK Ltd  
 Bulloughs  
 Care Quality Commission  
 Caterlink Ltd  
 Catholic Children's Society  
 CDS Housing  
 Change Grow Live  
 Citizens Advice Liverpool  
 City Heath Care (St Helens)  
 Cobalt Housing Ltd  
 Commutual  
 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  
 Huwel (Sherpa)  
 Interserve (Facilities Management) Ltd  
 Kingswood Colomendy Ltd.  
 Knowsley Youth Mutual  
 L&T FM (Chroda)  
 Liverpool Hope University  
 Local Government Association  
 Mellors Catering – Birkdale  
 Mellors Catering - Rainhill  
 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)

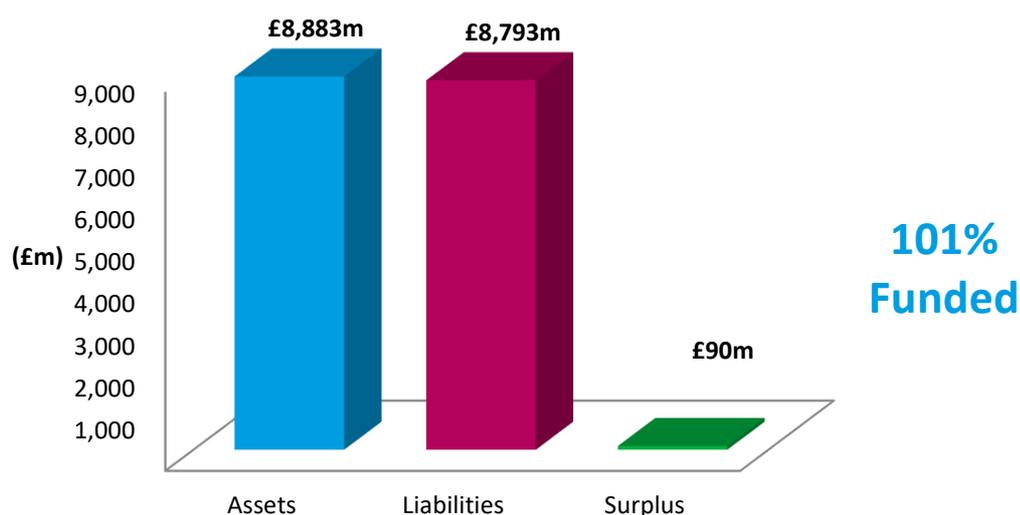
Welsh Local Government Association  
WIRED  
Wirral Autistic Society (Autism Together)  
Wirral Partnership Homes (Magenta)

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 - 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 of 0.3% per year on the Fund.

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 has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014. 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 and 2021 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 as a general rule but the Administering Authority has consulted on updates to the Funding Strategy Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. The position will 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 2021 (the 31 March 2020 assumptions are included for comparison):

	31 March 2020	31 March 2021
Rate of return on investments (discount rate)	2.4% per annum	2.1% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.1% per annum	2.7% per annum
Rate of pay increases*	3.6% per annum	4.2% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.8% 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. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4% p.a.). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7% p.a. Both of these factors served to increase the liabilities over the year.

The value of the Fund’s promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £11,763 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£279 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£3 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £1,630 million due to “actuarial losses” (i.e. the effects of the *changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed*).

The net effect of all the above is that the estimated total value of the Fund’s promised retirement benefits as at 31 March 2021 is therefore £13,675 million.

#### GMP Indexation

The public service schemes were previously 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 has recently confirmed that it will extend this in the future to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to, a

further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

Paul Middleman  
Fellow of the Institute and  
Faculty of Actuaries

Clive Lewis  
Fellow of the Institute and  
Faculty of Actuaries

Mercer Limited  
**June 2021**

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## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**MON 27 SEPTEMBER 2021**

<b>REPORT TITLE:</b>	<b>INTERNAL AUDIT POLICIES AND PROCEDURES</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>

### **REPORT SUMMARY**

To ensure continued compliance with the Public Sector Internal Audit Standards (PSIAS) the Internal Audit Charter, Strategy and Quality Assurance Improvement Programme have been reviewed and updated to ensure that the documents continue to comply with the revised best practice standards.

The updated Internal Audit Charter and Strategy and Quality Assurance & Improvement Programme are attached at Appendices 1, 2 and 3.

### **RECOMMENDATION**

The Audit and Risk Management Committee is recommended to note the revised Internal Audit Charter and Strategy and Quality Assurance Improvement Programme.

## **SUPPORTING INFORMATION**

### **1.0 REASON FOR RECOMMENDATION**

- 1.1 To provide the Members with assurance that the Internal Audit service is taking appropriate measures to comply with statutory requirements.
- 1.2 To ensure that the Internal Audit Charter, Strategy and Quality Assurance Improvement Programme are up to date and comply with the PSIAS.
- 1.3 To ensure that the Internal Audit Charter and Strategy and Quality Assurance Improvement Programme are available to all Members, Officers' and Partners by continuing to be included on the Council Intranet site.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 No other options considered appropriate as there is a requirement for the Internal Audit Service to ensure compliance with the PSIAS.

### **3.0 BACKGROUND AND AUDIT OUTPUT**

- 3.1 The PSIAS were adopted by Relevant Internal Audit Standard Setters (RIASS), which includes representatives from all Governments covering England, Scotland, Ireland and Wales; the Health Sector and the Chartered Institute of Public Finance and Accountancy (CIPFA), in respect of Local Government across the UK.
- 3.2 The standards are based on the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF), and are intended to promote ongoing improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 3.3 The standards reaffirm the importance of robust, independent and objective internal audit arrangements, to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement.
- 3.4 The Internal Audit Charter and Strategy establishes the purpose, authority and responsibilities for the Internal Audit Service for Wirral Council and establishes internal audits position within the Council, including:
  - Reporting lines and access to records,
  - Personnel and physical property relevant to the performance of audit work,
  - Arrangements for the appointment of the Chief Internal Auditor and internal audit staff,
  - The nature of professionalism, skills and experience required; and, reporting lines and access to records,
  - The scope of Internal Audit activities.
- 3.5 The PSIAS also requires that the Chief Internal Auditor develops and maintains a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity.

- 3.6 The purpose of the QAIP is to provide reasonable assurance that the Internal Audit Service:
- Performs its work in accordance with its Charter, which is consistent with the PSIAS definition of Internal Auditing and Code of Ethics;
  - Operates in an effective and efficient manner; and
  - Is perceived by Stakeholders as adding value and improving Internal Audit's operations.
- 3.7 Internal Audit's QAIP has been developed in accordance with PSIAS Standard 1300 (Quality Assurance and Improvement Programme). It documents the approach that is taken in respect of the following:
- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner (Ref: 1300);
  - Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics (Ref: 1300);
  - Helping the Internal Audit activity add value and improve organisational operations (Ref: 1300);
  - Undertaking both periodic and on-going internal assessments (Ref: 1311); and
  - Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit and Risk Management Committee in accordance with Standard 1312 and 1320.
- 3.8 The QAIP outlines measures which are applied to ensure that Internal Audit continues to operate effectively and efficiently and identifies and responds to opportunities for improvement. These measures are detailed below:
- An internal quality control checklist;
  - Customer Questionnaires and Annual Performance Evaluation Feedback Forms designed to obtain client feedback, the outcome of which facilitates effective monitoring of the internal audit activity and enables opportunities for improvement to be identified; and
  - An Auditor Skills Appraisal Assessment system developed and implemented that incorporates elaborate post audit assessments to identify improvement areas and any training/ development needs;
  - Internal performance targets that are monitored and regularly reported to the Audit and Risk Management Committee.
- 3.9 The Chief Internal Auditor periodically reviews the Charter and Strategy and QAIP and presents them to the Audit and Risk Management Committee.
- 3.10 The Internal Audit Charter and Strategy and QAIP have been comprehensively reviewed and updated to ensure that they comply fully with the revised PSIAS and copies are attached at Appendices 1, 2 and 3.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 There are none arising from this report.

## **5.0 LEGAL IMPLICATIONS**

5.1 The Internal Audit Service is required to comply with the PSIAS which sets out the work of the internal auditor and the expectations placed upon them in auditing local government bodies.

## **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

6.1 There is none arising from this report.

## **7.0 RELEVANT RISKS**

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

7.2 Potential failure of the Internal Audit Service to comply with the mandatory Public Sector Internal Audit Standards by not effectively evaluating its performance and making necessary improvements to ensure continued added value.

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

## **8.0 ENGAGEMENT/CONSULTATION**

8.1 Members of this Committee are consulted throughout the process.

## **9.0 EQUALITY IMPLICATIONS**

9.1 There are none arising from this report.

## **10. ENVIRONMENT AND CLIMATE IMPLICATIONS**

10.1 The content and/or recommendations contained within this report are expected to have no impact on emissions of CO<sub>2</sub>/greenhouse gases.

## **11. COMMUNITY WEALTH IMPLICATIONS**

11.1 There are none arising directly from this report.

**REPORT AUTHOR:** **Mark P Niblock**  
Chief Internal Auditor  
telephone: 0151 666 3432  
email: markniblock@wirral.gov.uk

## **APPENDICES**

Appendix 1: Internal Audit Charter  
Appendix 2: Internal Audit Strategy  
Appendix 3: Quality Assurance Improvement Programme

## **BACKGROUND PAPERS**

Public Sector Internal Audit Standards

### **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee	Report presented periodically to meetings of this Committee following legislative/best practice changes.

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# WIRRAL INTERNAL AUDIT SERVICE

## INTERNAL AUDIT CHARTER

MPN  
August 2021

## Appendix 1

The purpose of this Internal Audit Charter is to define internal audit's purpose, authority and responsibility. It establishes internal audit's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of internal audit activities.

This Charter also covers the arrangements for the appointment of the Chief Internal Auditor and internal audit staff, and identifies the nature of professionalism, skills and experience required.

### Definition

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Public Sector Internal Audit Standards require that the internal audit charter defines the terms 'board' and 'senior management' in relation to the work of internal audit. For the purposes of internal audit work, the 'board' refers to the Council's Audit and Risk Management Committee which has delegated responsibility for overseeing the work of internal audit. Senior management is defined as the Chief Executive and members of the Council's Strategic Leadership Team.

### Standards

The internal audit function is required to comply with Public Sector Internal Audit Standards (PSIAS). The Relevant Internal Audit Standard Setters, which includes the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) in respect of local government, have adopted the common set of PSIAS. The PSIAS encompass all of the mandatory elements of the Chartered Institute of Internal Auditors International Professional Practices Framework (IPPF). Compliance with the Standards is subject to an ongoing quality assurance and improvement programme (QAIP) developed and introduced by Internal Audit to ensure continuous compliance with the Standards.

### Responsibilities and Objectives of Internal Audit

Internal audit is responsible for establishing procedures and applying the required resources to ensure that the service conforms with the Definition of Internal Auditing and the Standards. The members of the internal audit team must demonstrate conformance with the Code of Ethics and the Standards.

The Chief Internal Auditor must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is the 'assurance role' for internal audit.

Internal audit may also provide an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of the organisation. The aim of the consultancy service is to help line management improve the Council's risk, governance and internal control. This is the 'Consultancy' role for internal audit and contributes towards the overall opinion.

### Responsibilities of the Council

## Appendix 1

The Council is responsible for ensuring that internal audit is provided with all necessary assistance and support to ensure that it meets the required standards.

The Section 151 Officer will make appropriate arrangements for the provision of an internal audit service. This will include the formal adoption of this Charter by the Audit and Risk Management Committee and the adoption of corresponding elements in the Financial Procedure Rules.

The Council will ensure it has taken all necessary steps to provide internal audit with information on its objectives, risks, and controls to allow the proper execution of the audit strategy and adherence to internal audit standards. This will include notifying internal audit of any significant changes in key control systems which may affect the internal audit plan.

The Council, through the Chief Executive, Section 151 Officer, Monitoring Officer and other relevant managers, will respond promptly to audit plans, reports and recommendations.

Responsibility for monitoring and ensuring the implementation of agreed recommendations rests with the Council.

### Independence of Internal Audit

The internal audit activity must be independent and internal auditors must be objective in performing their work. The Chief Internal Auditor must confirm, at least annually, the organisational independence of the internal audit activity. Internal audit shall have no operational responsibilities within the line management structure.

### Chief Internal Auditor

The Chief Internal Auditor will be appointed by the Council as a body and will have sufficient skill, experience and competencies to work with the leadership team and the Audit and Risk Management Committee and influence the risk management, governance and internal control of the Council. The Chief Internal Auditor is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Chief Internal Auditor will specify any other professional skills that may be needed by the internal audit team. The Chief Internal Auditor will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics.

### Relationships

The Chief Internal Auditor reports directly to the Section 151 Officer. The Chief Internal Auditor, or an appropriate representative of the internal audit team, shall attend meetings of the Audit and Risk Management Committee unless, exceptionally, the Committee decides that they should be excluded from either the whole meeting or for particular agenda items.

The Chief Internal Auditor shall have an independent right of access to the Chair of the Audit and Risk Management Committee. In exceptional circumstances, where normal reporting channels may be seen to impinge on the objectivity of the audit, the Chief Internal Auditor may report directly to the Chair of the Audit and Risk Management Committee.

Internal Audit and External Audit will agree a protocol for co-operation which will make optimum use of the available audit resources.

### Scope of Internal Audit

The Chief Internal Auditor should develop and maintain a strategy for providing the Chief Executive and the Section 151 Officer economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the Council's risk management, governance and internal control arrangements. The internal audit plan will be risk based, prepared in consultation with Directorate Management Teams and presented to the Audit and Risk Management Committee for approval. The Chief Internal Auditor's opinions are a key element of the framework of assurance the Chief Executive and the Leader of the Council need to inform the completion of the Annual Governance Statement (AGS).

### Opinion Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach that is aligned with all of the strategies, objectives and risks to the Council.

#### Governance

Internal audit must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- promoting appropriate ethics and values within the organisation;
- ensuring effective organisational performance management and accountability;
- communicating risk and control information to appropriate areas of the organisation; and
- co-ordinating the activities of and communicating information among the Audit & Risk Management Committee, external and internal auditors and management.

#### Risk Management

Internal audit must evaluate the effectiveness and contribute to the improvement of risk management processes by assessing:

- organisational objectives support and align with the organisation's mission;
- significant risks are identified and assessed;
- appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

#### Internal Control

Internal audit must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- achievement of the organisation's strategic objectives;
- reliability and integrity of financial and operational information;
- economical, effective and efficient use of resources;
- effectiveness and efficiency of operations and programmes;
- safeguarding of the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity corruption or bribery; and
- compliance with laws, regulations, policies, procedures and contracts.

## Appendix 1

Internal Audit utilise a dynamic risk based planning system designed to proactively identify audits to address any emerging and developing risks on an ongoing and 'future focussed' basis.

Internal audit will promote and contribute to continuous ongoing improvements in systems across the Council by identifying and recommending best practice actions following audit work completed.

Where key systems are being operated on behalf of the Council or where key partnerships are in place the Chief Internal Auditor must ensure arrangements are in place to form an opinion on their effectiveness.

Where the Council operates systems on behalf of other bodies, the Chief Internal Auditor must be consulted on the audit arrangements proposed or in place.

It is management's responsibility to ensure the provision for relevant audit rights of access in any contract or Service Level Agreement the Council enters into, either as provider or commissioner of the service.

### Non - Opinion Work

Internal audit may provide, at the request of management, a consultancy service which evaluates the policies, procedures and operations put in place by management. A specific contingency should be made in the internal audit plan to allow for management requests and consultancy work. The Chief Internal Auditor must consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the internal audit plan. In the event that the proposed work may jeopardise the delivery of the internal audit opinion, the Chief Internal Auditor must advise the Section 151 Officer before commencing the work. The Chief Internal Auditor must consider how the consultancy work contributes towards the overall opinion.

### Fraud

Managing the risk of fraud is the responsibility of line management; however the Section 151 Officer retains specific responsibilities in relation to the detection and investigation of fraud. The Internal Audit Service provides a counter fraud function that includes undertaking work of a proactive nature, conducting substantive audits in key risk areas as well undertaking some reactive work of an investigatory nature involving suspected fraud. In addition, the service is responsible for maintaining effective counter fraud policies and procedures for the Council including the Counter Fraud and Corruption, Money Laundering and Bribery and Corruption policies. Internal audit should be notified of all suspected or detected fraud, corruption or impropriety, to inform their opinion on the control environment and their audit plan.

### Reporting

The Chief Internal Auditor will agree reporting arrangements with the Chief Executive and the Section 151 Officer which will include procedures for the:

- distribution and timing of draft audit reports;
- Council's responsibilities in respect of responding to draft audit reports;
- distribution of finalised audit reports;
- follow up by internal audit of agreed recommendations; and
- escalation of recommendations where management responses are judged inadequate in relation to the identified risks.

## Appendix 1

The Chief Internal Auditor will present a formal report annually to the Chief Executive, Section 151 Officer and the Audit and Risk Management Committee giving an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management, and internal control. This report will conform to the PSIAS for the Head of Internal Audit Opinion statement, and will be timed to support the production of the Council's Annual Governance Statement. Reports of progress against the planned work will be presented to the Audit and Risk Management Committee on a regular basis during the year.

### Internal Audit Access Rights

Designated auditors are entitled, without necessarily giving prior notice, to require and receive from the Council and any associated or contracted bodies including any shared service providers or trading companies:

- access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- access at all reasonable times to any land, premises, officer and member of the Council;
- the production of any cash, stores or other property of the Council under an officer's and member's control; and
- explanations concerning any matter under investigation.

### Internal Audit Resources

If the Chief Internal Auditor or the Audit and Risk Management Committee consider that the level of audit resources or the terms of reference in any way limit the scope of internal audit, or prejudice the ability of internal audit to deliver a service consistent with the Definition of Internal Auditing and the Standards, they should advise the Chief Executive and the Section 151 Officer accordingly.

# WIRRAL INTERNAL AUDIT SERVICE

## INTERNAL AUDIT STRATEGY

MPN  
August 2021

## Appendix 2

The Public Sector Internal Auditing Standards requires the Head of Internal Audit (Chief Internal Auditor) to produce a high level audit strategy showing how the Internal Audit service will be delivered and developed.

The principal aims of this strategy are to communicate the contribution that Internal Audit makes to the Council including:

- Internal Audit objectives and outcomes
- How the Head of Internal Audit will form and evidence his/her opinion on the control environment.
- How Internal Audit's work will identify and address local and national issues of risk.
- How the service will be provided
- The resources and skills required to deliver the Internal Audit Service.

### Internal Audit Objectives and Outcomes

The purpose of Internal Audit is to provide the Council, through the Audit and Risk Management Committee, and the Section 151 Officer with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the organisation's agreed objectives. This opinion forms part of the framework of assurances that the Council receives and informs the Annual Governance Statement.

Internal Audit, through a process of evaluation and testing is able to help ensure the proper, economic, efficient and effective use of resources.

Internal Audit acts as an independent consultancy which can help line managers improve risk management, governance and control within the areas they have responsibility for.

Internal Audit does not relieve management of their responsibility for establishing and maintaining adequate controls but assists in the effective discharge of this responsibility.

### Head of Internal Audit Annual Opinion

The Head of Internal Audit (Chief Internal Auditor) provides an annual written audit report to those responsible for corporate governance to support the Annual Governance Statement. This report is based on an assessment of the results of audit work undertaken throughout the year. Whilst providing this opinion of the control environment the Chief Internal Auditor will reflect on the variance between work undertaken and that planned, and will consider the performance of the Internal Audit Section against its indicators and targets and also the results of the annual quality assessment of the service.

### Internal Audit Risk Identification

An Audit Plan is produced each year before the start of the financial year, this is authorised by the Strategic Leadership Team, the Section 151 Officer and the Audit and Risk Management Committee. The Audit Plan identifies all of the key issues and risks known to the organisation at the time of writing and yet also has built in flexibility which allows Senior Management to direct Internal Audit resources to newly forming areas of local and national risk. Local and National areas of risk are identified throughout the financial year via Cabinet and Committee reports, discussions with the Chief Executive, Chief Officers, the Section 151 Officer and the External Auditors, at Area Forums, professional seminars and conferences and through reviewing relevant professional publications.

### Internal Audit Service Provision

## Appendix 2

Internal Audit operates in accordance with the Public Sector Internal Auditing Standards which define the way in which internal audit services should be delivered across the sector.

Internal Audit is able to provide its service due to its unique position within the Authority, which allows for comprehensive coverage of the Authority's activities and unrestricted access to all records and assets deemed necessary in the course of their assurance and consultancy work, including unrestricted access to:-

- The Chief Executive
- Members
- Individual Chief Officers
- All authority employees

Internal Audit develops an Audit Plan which sets out the work that will be completed by the service; the plan is risk based and takes into account the following factors:

- Materiality, that is the level of significance attributed to the system including factors such as the number and value of transactions, the need to demonstrate high standards of probity and reputational risk;
- Business Risk, this is the impact on objectives the system has the potential to create;
- Audit Experience, this includes previous Internal Audit, External Audit and Inspection reports, and the date of the previous audit coverage;
- The potential for the system to be subject to fraud or corruption.

The plan is determined from the priorities identified by the risk assessment and the productive audit days available and aligns with all of the strategies, objectives and risks of the Council. It is designed in an insightful fashion so as to allow it to remain flexible and dynamic, accommodating work required to be undertaken on an ongoing proactive basis to address any developing or emerging risks as they materialise during the life cycle of the plan, and consequently ensuring that it always remains 'future focussed'.

By its very nature Internal Audit work completed will ensure that continuous ongoing improvements in risk management and the overall control and governance environment are undertaken by senior management across a wide range of systems and service delivery areas in operation within the Council.

The Chief Internal Auditor monitors the actual work against the plan on a monthly basis and takes appropriate action to address any issues arising, including informing Chief Officers and Members of any changes on a timely and regular basis. Consequently, the plan is designed to be very flexible and dynamic allowing it to continually adapt to any changing circumstances and priorities during the year.

All audit assignments will be the subject of formal reports. The reports will identify any risks associated with the internal control environment and recommend actions to address any weaknesses. Reports will contain recommendations that are considered to be high, medium or low priority for attention. Following a meeting to discuss the report and its recommendations an action plan will be prepared and included in the final report. This will be issued to the line manager and where necessary the senior management team member(s) responsible. Each audit assignment is subject to a quality check by a Programme Auditor/Audit Manager to ensure that the objectives have been achieved and that recommendations made are consistent with the findings and

## Appendix 2

evidence recorded. In addition, the Chief Internal Auditor undertakes further quality checks for a number of completed audits during the year.

The Chief Internal Auditor will submit regular reports to the Audit and Risk Management Committee identifying progress against the plan, any significant control issues found and the potential for improving the risk management and control processes and will also inform the committee of any changes made to the annual plan.

It is important that good working relationships are developed and maintained with those staff subject to audit, in order to help foster this type of relationship the audit report will acknowledge areas of good practice. The Team's commitment to the process of developing good working relationships is further demonstrated by its attempts to be constructive and helpful and to provide protection and security for the Authority and individual members of staff, particularly those who have financial responsibilities through the audit process. To aid the development of the service and to help make it more customer focused feedback questionnaires are distributed with each audit report asking managers to assess the overall usefulness of the audit, the auditor's conduct and the quality of the report.

Each audit assignment is subject to Post Audit Assessment/Review to ensure that the objectives have been achieved and that recommendations made are consistent with the findings and evidence recorded. The findings from these reviews are used to inform future audit assignments and individual Auditor Development Programmes.

### Resources and Skills Required to Deliver the Service

The main resource required to deliver the service is its staff, these are recruited based on the skills and experience needed to provide a high quality service.

All staff within the section are provided with the opportunity for continuing professional development including the chance to undertake relevant professional qualifications. Training needs of all staff are identified through the Post Audit Assessment Process and annual Performance Appraisal system which is linked to core competencies for internal audit professionals.

In this way, we ensure that staff members are suitably skilled to deliver the specialist services provided by Internal Audit.

# WIRRAL INTERNAL AUDIT SERVICE

## QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

Prepared by: **Mark Niblock**  
Chief Internal Auditor

Version 3.0

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## **1. Introduction**

- 1.1 Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of the Internal Audit activity that Internal Audit:
- Performs its work in accordance with its Charter, which is consistent with The Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics;
  - Operates in an effective and efficient manner; and
  - Is perceived by stakeholders as adding value and improving Internal Audit's operations.
- 1.2 Internal Audit's QAIP covers all aspects of the Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and improvement Programme), including:
- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner (1300);
  - Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics (1300);
  - Helping the Internal Audit activity add value and improve organisational operations (1300);
  - Undertaking both periodic and on-going internal assessments (1311); and
  - Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit & Risk Management Committee in accordance with Standard 1312 and 1320.
- 1.3 The Chief Internal Auditor is ultimately responsible for the QAIP, which covers all types of Internal Audit activities.

## **2. Internal Assessments**

2.1 In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

### **On-going Reviews**

2.2 Continual assessments are conducted through:

- Management supervision of all engagements;
- Structured, documented review of working papers and draft reports by Internal Audit management;
- Audit Policies and Procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards;
- Comprehensive Internal Quality Reviews of audit processes including report findings, conclusions and working papers undertaken prior to completion of all audits. Control Checklists to ensure consistency of reporting and reduce administrative error (Appendix A);
- Feedback from audit clients obtained through completion of Customer Questionnaires at the closure of each engagement (Appendix B);
- Auditor Skills Appraisal Assessments undertaken following completion of audit assignments designed to evaluate an individual's performance against PSIAS best practice and the CIPFA Guidance document "The Excellent Internal Auditor" to identify areas of good practice and any development/improvement opportunities (Appendix C).
- Monitoring of internal performance targets (Appendix D) and quarterly outturn reporting to Audit & Risk Management Committee;
- Review and approval of all final reports, recommendations and levels of assurance by the Chief internal Auditor or Audit Manager; and
- Regular team briefings attended by all members of the Internal Audit team and chaired by the Chief Internal Auditor;

**Periodic Reviews**

- 2.3 Periodic assessments are designed to assess conformance with Internal Audit's Charter, the PSIAS' Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments are conducted through:
- Quarterly Internal Audit Update Reports, presented to the Audit & Risk Management Committee;
  - Annual performance evaluation form to all Chief Officers/Heads of Directorates (Appendix E);
  - Annual risk assessments, in accordance with the Internal Audit Strategy, for the purposes of annual audit planning;
  - Annual review of the effectiveness of Internal Audit, undertaken by the Chief Internal Auditor culminating in the identification of actions for development and improvement and reported via the Chief Internal Auditors Annual Report;
  - Annual review of compliance against the requirements of this Quality Assurance & Improvement Programme, the results of which are reported to Senior Leadership Team and the Audit & Risk Management Committee via the Chief Internal Auditors Annual Report;
  - Feedback from the Chief Executive, Section 151 Officer and Chair of the Audit & Risk Management Committee to inform the annual appraisal of the Chief Internal Auditor, in accordance with Standard 1100;
  - Periodic appraisals conducted to inform the post audit assessment process.
- 2.4 Improvement/development actions arising from assessments will be reported to the Audit & Risk Management Committee. The Chief Internal Auditor will implement appropriate follow-up to any identified actions to ensure continual improvement of the service.
- 2.5 Any significant areas of non-compliance with the PSIAS that are identified through internal assessment will be reported in the Chief Internal Auditors Annual Report and used to inform the Annual Governance Statement (AGS).

## **3. External Assessments**

- 3.1 External assessments will appraise and express an opinion about internal audit's conformance with the PSIAS' Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

### **Frequency of External Assessment**

- 3.2 An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the External Assessment will be endorsed by the Audit & Risk Management Committee.

### **Scope of External Assessment**

- 3.3 The external assessment will consist of broad scope of coverage that includes the following elements of Internal Audit activity:

- Conformance with the *Standards*, Definition of Internal Auditing, the Code of Ethics, and internal audit's Charter, plans policies, procedures, practices, and any applicable legislative and regulatory requirements;
- Integration of the Internal Audit activity into Wirral's governance framework, including the audit relationship between and among the key groups involved in the process;
- Tools and techniques used by Internal Audit;
- The mix of knowledge, experiences, and disciplines within the staff, including staff focus on process improvement delivered through this Quality Assurance and Improvement programme;
- A determination whether Internal Audit adds value and improves Wirral Council operations.

- 3.3.1 Results of external assessments will be provided to the Senior Leadership Team and the Audit & Risk Management Committee. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified. Any significant areas of non-compliance will be reported in the Annual Report of the Chief internal Auditor and in the Council's Annual Governance Statement (AGS).

## 4. Review of the QAIP

These documents will be appropriately updated following any changes to the PSIAS or internal audit's operating environment and will be reviewed at least on an annual basis.

### **APPENDIX A**

### **CONTINUOUS/FINAL QUALITY REVIEW RECORD**

**Audit Assignment: .....**

Gateway	Review Comments	Action Undertaken	Date
Letter of Engagement			
Risk and Control Evaluation  Agreed Testing Approach			
Risk and Control Evaluation  Findings / Recom.			
Subsections if applicable  (as agreed on the Assignment Sheet, e.g. RCE risks, expected controls, findings)			
Draft Report:  Any other key areas as agreed on the Assignment Sheet:			

Quality Reviewed by: .....

Date .....

# WIRRAL COUNCIL INTERNAL AUDIT

## Quality Assurance & Improvement Programme 2021

This document has been prepared to assist Auditors and Managers in preparing the Audit Report and should be utilised as appropriate to ensure that all relevant sections are included and identify all of the necessary information. It is not an essential component of the standard working papers and is provided as a best practice guide.

### **'AUDIT REPORT' - QUALITY CONTROL CHECKLIST**

**Report Title:** .....

<b>Cover</b>	
Report title, Draft issue date and Distribution details including relevant officer's names / job titles have been completed.	<input type="checkbox"/>
<b>Contents</b>	
Headings and sub-headings match those in the body of the report	<input type="checkbox"/>
Page numbers are correct	<input type="checkbox"/>
Report title has been added to the footer	<input type="checkbox"/>
<b>Executive Summary</b>	
Appropriate length	<input type="checkbox"/>
No "....." or "£XXXX" remain from the template	<input type="checkbox"/>
Assurance opinion is provided, is relative to the risk and agreed with client	<input type="checkbox"/>
Correct no of recommendations and appropriate priority rating identified	<input type="checkbox"/>
Highlighted instructions have been removed	<input type="checkbox"/>
<b>Report Headings</b>	
Correctly Identified	<input type="checkbox"/>
All relevant detail included and numbered correctly	<input type="checkbox"/>
<b>Review of Effectiveness</b>	
Appropriately summarised, supported by evidence obtained and numbered correctly	<input type="checkbox"/>
<b>Areas of Good Practice</b>	
Appropriate, balanced and correctly annotated and numbered	<input type="checkbox"/>
<b>Findings &amp; Recommendations</b>	
Numbering within sections is consecutive	<input type="checkbox"/>
Recommendation(s) edited to correctly reflect number of recommendations made.	<input type="checkbox"/>
Priority levels included and correct	<input type="checkbox"/>

## WIRRAL COUNCIL INTERNAL AUDIT Quality Assurance & Improvement Programme 2021

<b>Action Plan</b>	
Recommendations are identical to those in the "Findings & Recommendations" section	<input type="checkbox"/>
<b>Appendix</b>	
Customer Feedback form included	<input type="checkbox"/>
<b>General</b>	
Bullet style used is consistent throughout report and aligned with text: • <i>Example</i>	<input type="checkbox"/>
Bulleted lists formatted: • item a; • item b; and • item c.	<input type="checkbox"/>
Text is justified correctly and tables are aligned to text/page margins	<input type="checkbox"/>
<b>Final Reports</b>	
Ensure the draft watermark has been removed	<input type="checkbox"/>
Cover: Final issue date and additional Distribution details including relevant officer's names / job titles have been completed and report authors etc identified.	<input type="checkbox"/>
<b>Working Papers</b>	
All working papers completed, signed and dated	<input type="checkbox"/>
Quality Review Record included/completed	<input type="checkbox"/>
Post Audit Assessment scheduled/completed	<input type="checkbox"/>
All Relevant Quality Checks identified completed	<input type="checkbox"/>

Checked by (Auditor):	
Date:	

Final checked by (Manager):	
Date:	

**APPENDIX B**

**9. Customer Feedback**

To help us to improve the service we deliver, it is important that you provide us with regular feedback. Therefore, please complete the following:

<b>How satisfied were you with the overall service received from Internal Audit?</b>								
<b>Please Indicate</b>	<b>Very Satisfied</b>		<b>Satisfied</b>		<b>Dissatisfied</b>		<b>Very Dissatisfied</b>	
<i>Please explain your answer</i>								

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If you would like to discuss any issues regarding this audit, please contact the Chief Internal Auditor.

Completed by: ..... Signed:..... Date:.....

## APPENDIX C

### AUDITOR SKILLS APPRAISAL SYSTEM

#### POST-AUDIT ASSESSMENT

This assessment should be completed and discussed by the auditor and the manager following the completion of the audit review and despatch of the audit report.

**The process should take no more than one hour in total.**

The audit details should be completed, and details of any variances of hours spent on the audit, and any other relevant comments or contextual information included.

The form records the appraisal of the auditor's competence (in relation to the named audit) considering each of the skills listed.

The auditor and manager should discuss the outcomes of the assessment and any development opportunities discussed in light of their objectives and a development plan prepared where appropriate. The development plan should be updated to record the positive performance and progress evident during the audit, and any additional objectives or development opportunities required.

Please refer to the "Auditor Skills Framework - Explanatory Note" for further details - [link](#) .

Upon completion a copy should be provided to the Chief Internal Auditor and Audit Manager.

**POST AUDIT ASSESSMENT – COMMENTS AND CONTEXTUAL INFORMATION**

**Audit Details**

Assignment:..... Auditor name:.....

Manager name:.....

**Guidance:**

For all audits completed there should be a review discussion between the auditor and reviewer.

The discussion should include questions such as:

- What aspects of the audit went well ?
- Are there any areas where the delivery, efficiency or effectiveness of the audit could have been improved ?
- Are there any key points emanating from the review that need to be considered when planning the next audit ?

Please record here any agreed issues to be noted for future planning purposes.

Or confirm review held and no matters requiring to be noted for future planning purposes.

The job review discussion may highlight learning or development opportunities for the auditor, and in a similar vein potentially upward feedback for the reviewer. If significant issues arise, e.g. performance issues in relation to the behavioural, technical and management skills expected as outlined within the Auditor Skills Framework (and as below) they should be reported in an email to the respective line manager.

Signed (Manager): .....

Date: .....

Signed (Auditor): .....

Date: .....

**Assessment Considerations:**

The following skills criteria should be considered in the assessment and the auditor evaluated against each relevant category:

In relation to the named audit, how did the auditor perform in comparison with the expectations of their post:	Comments
<b>BEHAVIOURAL</b>	
1. Negotiating – successfully achieved win/win outcomes.	
2. Influencing – successfully and persuasively conveyed a point of view.	
3. Communication – raised the level of mutual understanding.	
4. Assertiveness – interacted with others in a positive and confident manner.	
5. Enthusiasm and initiative – was self-motivated and proactive.	
6. Teamwork – worked with others to achieve a common goal.	
7. Professionalism – presented self and function in a professional manner.	
<b>TECHNICAL</b>	
1. Audit methodology and scope – defined the scope of the audit.	
2. Analytical review – applied appropriate techniques and evaluated results.	
3. Testing – identified key controls and defined testing accordingly.	

In relation to the named audit, how did the auditor perform in comparison with the expectations of their post:	<b>Comments</b>
4. Interviewing and questioning – extracted information effectively, using appropriate skills.	
5. Sampling – selected suitable samples from appropriate sources.	
6. IT Skills – used appropriate IT throughout audit.	
7. Specialist Skills - used appropriate skills and knowledge in audit work.	
<b>MANAGEMENT</b>	
1. Performance management – produced high quality output to meet deadlines.	
2. People management – encouraged development of self and others.	
3. Leadership – encouraged and motivated others.	

**APPENDIX D**

**INTERNAL AUDIT – PERFORMANCE TARGETS**

CATEGORY	DESCRIPTION	NARRATIVE	HOW IT'S MEASURED	TARGET
COMPLIANCE	PSIAS Compliance	Level of compliance with requirements of PSIAS / LGAN <sup>1</sup>	PSIAS Annual Self-Assessment External Assessment (5 yearly)	100%
PRODUCTIVITY	Audit days utilised/audit turnaround	Number of audit assignments delivered within ten days of completion of fieldwork	Performance Spreadsheet management system	>95%
OUTPUTS	Audit coverage	%age of Audit Plan completed	Performance Spreadsheet management system	>90%
QUALITY	Client Satisfaction	%age of Post Audit Customer Feedback Questionnaires in which management have responded as "Very Satisfied" or "Satisfied" with quality of audit	Post Audit Questionnaire	100%
ADDED VALUE	Management Perception	%age of positive responses in respect of perceived benefits and value of Internal Audit work	Customer Post Audit Feedback Questionnaire  Annual Performance Evaluation Form (Chief Officer)	95%

<sup>1</sup> Public Sector Internal Audit Standards (PSIAS) / CIPFA Local Government Application Note (LGAN)

**WIRRAL COUNCIL INTERNAL AUDIT**  
**Quality Assurance & Improvement Programme 2021**

<b>ADDED VALUE</b>	<b>Corporate Management Satisfaction</b>	<b>%age of High priority recommendations agreed with clients</b>	<b>Returned Audit Action Plans</b>	<b>100%</b>
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**APPENDIX E**

**ANNUAL PERFORMANCE EVALUATION FORM**

<b>Department</b>	
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A number of performance indicators have been adopted by Internal Audit and one of the most important of these is your view of the service you receive.

Please spare the time to complete and return this survey.

Your responses will help Internal Audit to develop and maintain high levels of service.

<b>Are you satisfied that:</b>
--------------------------------

Internal Audit is proactive in ensuring its role and objectives are understood	Click to respond
Internal Audit exhibits a good understanding of the Council's objectives	Click to respond
There are clear and effective lines of communication between Internal Audit and yourself	Click to respond
Internal Audit Reports are a valuable management tool	Click to respond
Internal Audit can be relied upon to provide objective and independent advice	Click to respond
Internal Audit staff respect confidentiality	Click to respond

<b>Please add any additional comments and/or suggestions</b>

Name	
Position	
Date	

Thank you for your time in completing this survey.

Please return to: Mark Niblock, Chief Internal Auditor