



Audit and Risk Management Committee

Date:	Wednesday, 26 October 2022
Time:	6.00 p.m.
Venue:	Wallasey Town Hall – Committee Room 1

Contact Officer: Joe D’Henin
Tel: 0151 691 8139
e-mail: josephdhenin@wirral.gov.uk
Website: <http://www.wirral.gov.uk>

Please note that public seating is limited therefore members of the public are encouraged to arrive in good time.

Wirral Council is fully committed to equalities and our obligations under The Equality Act 2010 and Public Sector Equality Duty. If you have any adjustments that would help you attend or participate at this meeting, please let us know as soon as possible and we would be happy to facilitate where possible. Please contact committeeservices@wirral.gov.uk

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

AGENDA

- 1. WELCOME AND INTRODUCTION**
- 2. APOLOGIES FOR ABSENCE**
- 3. 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.

- 4. MINUTES (Pages 1 - 2)**

To approve the accuracy of the minutes of the meeting held on Wednesday 20th July 2022

5. PUBLIC AND MEMBER QUESTIONS

Please telephone the Committee Services Officer if you have not received an acknowledgement of your question/statement by the deadline for submission.

5.1 Public Questions

Notice of question to be given in writing or by email by 12 noon, Friday 21st October to the Council's Monitoring Officer (committeeservices@wirral.gov.uk) and to be dealt with in accordance with Standing Order 10

5.2 Statements and petitions

Notice of representations to be given in writing or by email by 12 noon, 21st October 2022 to the Council's Monitoring Officer (committeeservices@wirral.gov.uk) and to be dealt with in accordance with Standing Order 11.1.

Petitions may be presented to the Committee if provided to Democratic and Member Services no later than 10 working days before the meeting, at the discretion of the Chair. The person presenting the petition will be allowed to address the meeting briefly (not exceeding three minute) to outline the aims of the petition. The Chair will refer the matter to another appropriate body of the Council within whose terms of reference it falls without discussion, unless a relevant item appears elsewhere on the Agenda. If a petition contains more than 5,000 signatures, it will be debated at a subsequent meeting of Council for up to 15 minutes, at the discretion of the Mayor.

Please telephone the Committee Services Officer if you have not received an acknowledgement of your statement/petition by the deadline for submission.

5.3 Questions by Members

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

6. INTERNAL AUDIT UPDATE REPORT (Pages 3 - 36)

7. INTERNAL AUDIT ANNUAL COUNTER FRAUD REPORT (Pages 37 - 44)

8. CORPORATE RISK MANAGEMENT UPDATE (Pages 45 - 54)

The information contained within the appendix of this report may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact josephdhenin@wirral.gov.uk if you would like this document in an accessible format.

9. DRAFT STATEMENT OF ACCOUNTS UPDATE, DRAFT ANNUAL GOVERNANCE STATEMENT AND FINANCIAL MANAGEMENT CODE ASSESSMENT FOR 2021/22 (Pages 55 - 328)

10. CODE OF CORPORATE GOVERNANCE 2022 (Pages 329 - 344)

11. ICT CONTINUITY CONTROLS (Pages 345 - 350)

12. ASSURANCE ON REGENERATION SCHEMES (Pages 351 - 356)

13. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

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

RECOMMENDATION: That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by paragraph 3 of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

14. ASSURANCE ON REGENERATION SCHEMES EXEMPT APPENDIX (Pages 357 - 360)

Terms of Reference

The terms of reference for this committee can be found at the end of this agenda.

AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 20 July 2022

Present: Councillor S Mountney (Chair)

Councillors S Kelly T Cox
J Walsh S Powell-Wilde
A Davies

13 WELCOME AND INTRODUCTION

The Chair opened the meeting and reminded everyone that the meeting was being webcast and a copy was retained on the Council's website.

14 APOLOGIES FOR ABSENCE

An apology for absence was received from Independent Person Peter McAlister.

15 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. There were no declarations of interests.

16 MINUTES

**Resolved –
That the minutes of the meeting held on 27 June 2022 be approved.**

17 PUBLIC AND MEMBER QUESTIONS

There were no questions, petitions or statements received.

18 EXTERNAL AUDIT ANNUAL AUDIT REPORT 2020-21, AUDITORS REPORT COMPANY GOVERNANCE 2020-21 AND MERSEYSIDE WASTE VALUE FOR MONEY REPORT 2020-21

The auditor from Grant Thornton introduced the report of the Director of Resources which presented the Council's external auditors (Grant Thornton) completion of the Council's main audit 2020-21 Accounts in January 2022. The auditors Annual Audit Report of the key issues/findings from their audit was attached, including two further reports, the Value for Money report on Merseyside Waste and the review of the Governance of Companies and other

investments. The Audit Reports contained a set of recommendations for the Council to Implement, although significant progress had been made in addressing these recommendations.

The auditor expressed concern over the use of resources and the risk consideration but acknowledged that there was a savings plan and reduced use of reserves.

Members queried elements in the report and it was established that

- The detail on minimal revenue provision was concerned at overall expenditure not specific projects
- Monitoring and reporting since the report was written had been assisted by an independent panel and a finances Star Chamber
- Not all risks were aimed to be eliminated but mitigated
- Further reports would be brought to the Committee on specific issues such as minimal revenue provision
- Officers had agreed the recommendations where they were able and they were being acted upon
- Officers would discuss with other Committee leads the potential for taking additional information to be included within the performance reports to other Committees
- Launching specific initiatives, such as the community bank, may require considerable specific experience and staff resources in order to mitigate risks
- Audit fees were based on potential risk

The Chair proposed an additional recommendation to bring back future reports, as highlighted in Appendix 4 from the Director of Resources to this Committee. This was agreed.

Resolved – That

- (1) the reports and appendices be approved and be forwarded for approval to the Policy and Resources Committee and full Council and then published on the Council website;**
- (2) further reports on the progress of the auditors recommendations be brought back to Audit and Risk Management Committee.**



AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY 26 OCTOBER 2022

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

REPORT SUMMARY

This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 1st July to 31st September 2022. 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 Appendix 1.

RECOMMENDATION

The Audit and Risk Management Committee is recommended to note the report and consider the outcomes of audit work undertaken including the quality assurance improvement review exercise.

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) and the Chartered Institute of Internal Auditors (CIIA).

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered appropriate as the service is required to comply with the very specific requirements of the Public Sector Internal Audit Standards for delivery and reporting frequency.

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 31 September 2022.

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 The content and/or recommendations contained within this report have no direct implications for equality. However, the delivery of an effective internal audit service will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of equality.

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 CO2/greenhouse gases.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendations contained within this report have no direct implications for community wealth. However, the delivery of an effective internal audit service will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of economic, social and environmental justice for all residents.

REPORT AUTHOR:

Mark P Niblock
Chief Internal Auditor
telephone: 0151 666 3432
email: markniblock@wirral.gov.uk

APPENDICES

1. Internal Audit Activity – Summary Update
2. Quality Assurance Improvement Programme Review 21-22
3. Wirral IA Quality Assurance Improvement Programme 2022

BACKGROUND PAPERS

Internal Audit Plan 2022-23

SUBJECT HISTORY (last 3 years)

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

This page is intentionally left blank

APPENDIX 1

REPORT TITLE:	INTERNAL AUDIT UPDATE
ACTIVITY SUMMARY – JULY TO SEPTEMBER 2022	

1 Items of Note

1.1 Town Deal Programme

1.1.1 The final audit report on the Town Deal Programme Review was completed in September 2022 and included 2 high and 3 medium priority recommendations agreed with senior management to improve controls over the systems in place. Internal Audit have been involved on an ongoing basis throughout the lifecycle to date of this initiative providing challenge throughout the development, finalisation and approval of the business cases for the nine associated projects. This direct input and constructive challenge has provided the basis for recommending key control actions that need to be included within subsequent monitoring procedures, to ensure that the projects are delivered within an effective control environment.

1.1.2 The high priority recommendations identified in the report and agreed with senior management relate to the need to regularly review the individual projects' cash flow projections and take prompt corrective action where required, and that a formal monitoring and reporting process is established to ensure delivery of the key outputs declared and approved.

1.1.3 Internal Audit will follow up the recommendations and include the testing of these areas in future work plans to ensure effective delivery of the projects and report the outcomes to this Committee.

1.2 Climate Emergency

A follow up audit is currently being undertaken to evaluate progress made to implement recommendations identified during the audit of the Council's arrangements to deliver the Climate Emergency initiative completed in June 2022. The four high priority recommendations identified relate to the monitoring and reporting of targets, reviewing resources to service the database, development of a strategy to target high carbon emission areas within the Council and assessing existing contracts to identify where there may be a significant environmental impact on the Council. Outcomes from the audit will be reported to this Committee upon completion of the work.

1.3 Adults Liquidlogic System – Access Controls

An audit review of the access controls in the Adults Liquidlogic system was undertaken during the period and eleven recommendations agreed with senior management to strengthen and improve the control environment. An action plan has been agreed that includes timescales for implementation. Internal Audit are planning to undertake follow up work in the next quarter to evaluate progress against this plan

and the outcomes will be reported to this Committee. Reviewing who has access to systems can make a big difference in mitigating against cyber-attacks and there are more planned access control reviews of other key Council systems included in this year's audit plan.

1.4 MPF Cyber Assurance

Audit work is currently being undertaken to review and evaluate the effectiveness of the controls in operation to protect the Merseyside Pension Fund systems against the risk of cyber-attacks. This has involved assessing the controls around the devices that protect the network from the internet and testing their robustness. An audit report is currently being drafted and discussions taking place with senior management regarding any potential actions required. The outcome from this work will be reported to this Committee upon completion.

1.5 Levelling Up Funds

Internal Audit were requested by the Director of Resources to provide views on documents received from DLUHC relating to potential future inspections regarding Levelling Up Funds. The aim was to ensure that the Council's in-house assurance processes are robust and will support the approach to levelling up funding. No significant issues were identified although a number of points for consideration were identified that have been agreed by relevant management and will be incorporated into systems and future audit work programmes in this area.

1.6 Merseyside Pension Fund (MPF)

1.6.1 The following audits were finalised during this reporting period to conclude full completion of the 2021-22 Internal Audit Plan for the Merseyside Pension Fund:

Authorisation Arrangements.
MyPension Developments.
Benefits Payable.

1.6.2 The Chief Internal Auditor's Annual Report for MPF was subsequently presented to the Local Pensions Board earlier this month, summarising the outcomes of the audit programme of work for 2021-22. The overall audit opinion for the year included within the report is that MPF has maintained adequate and effective control and governance processes. It is also acknowledged that the MPF management team continues to ensure identified risks are effectively managed and recommendations emanating from the audit work are consistently and effectively implemented within the agreed timescales.

1.7 Human Resources – Pensions Recharges

Wirral Council are recharged by Merseyside Pension Fund (MPF) for Compensatory Added Years, known as 'Committee Increase', if they award a member additional years' service as part of a redundancy or early retirement and there are also pension increases associated with these payments. A referral was received by Internal Audit from Financial Services, regarding the level of checking undertaken by Human

Resources (HR) on the details within these monthly recharge payments to MPF. An audit was subsequently completed to review the processes in place and provide advice and guidance to establish the most efficient and effective validation of the recharge. The review also included sample checking of the monthly recharges, which are primarily legacy payments, and although no errors were detected a recommendation has been agreed with the Senior HR Manager to introduce an effective validation process to ensure the accuracy of the monthly payments.

1.8 Community Asset Transfer

During the period Internal Audit have completed the Governance and Organisation Structure aspect of the wider due diligence review that is currently being undertaken for those organisations who are applying to take over Community Assets. The review has included consideration of publicly available information in respect of directors/trustees, as disclosed in organisations' Business Case/Plans. Checks were also undertaken to ensure the organisations were active, where applicable and to identify any conflicts with decision makers within the Council. Summary findings have been shared with the internal team overseeing the due diligence process identifying some items for consideration.

1.9 Annual Governance Statement

1.9.1 Governance work undertaken this quarter has included undertaking the annual review of the effectiveness of the Council's governance framework and drafting the Council's Annual Governance Statement (AGS) as the outcome of this review for 2021-22. Key elements of the review included:

- Completion of Governance Assurance Statements by each of the Council's Senior Leadership Team (SLT), with additional returns by the S151 and SIRO for their formal roles.
- One to one discussions with each member of the 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.
- Seeking updates from Directors in respect of actions taken for the Significant Governance Issues (SGIs) included in last year's AGS and actions planned in 2022-23 for SGIs identified in this year's annual review.
- 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 / inspectorates as applicable.

1.9.2 The outcome of the annual review and overall assessment is set out in detail in the AGS, which is reported to this Committee annually with the financial statements of account in line with statutory requirements.

1.10. Hoylake Golf Resort Development

- 1.10.1 At the September 2021 Policy and Resources Committee, a resolution was passed that a piece of work would be undertaken to ensure that all decisions made in relation to Hoylake Golf Resort Development (more recently referred to as Celtic Manor Golf Resort), had been made in accordance with Council Policy and Procedure and any learning points identified would be noted for future reference.
- 1.10.2 Following the Committee meeting, the Chief Executive, after discussion with the Chair of the Audit and Risk Management Committee (ARMC) requested that Internal Audit document in chronological order, all decisions made in relation to the Hoylake Golf Resort Development, including who was involved in the decision making and at which Committee meeting and/or Management meeting those decisions were made and whether those decisions were made in accordance with Council policy and procedure.
- 1.10.3 Internal Audit have reviewed all approved Committee minutes and related management information and documents, accompanying reports and appendices relating to the Hoylake Golf Resort Development from 2002 to date and documented those decisions / key events in a summary timeline.
- 1.10.4 The evidence obtained indicates that all key decisions relating to the Hoylake Golf Resort Development throughout its lifecycle were taken to relevant Committees during the project for approval or reported after the decision was made (in accordance with the Constitution of the Council) and based on the assurance provided by the Assistant Director - Special Projects and the Head of Legal Services. It is therefore the opinion of Internal Audit that the decisions made in relation to Hoylake Golf Resort, appeared to have been made in accordance with Council Policy and Procedure.

2. **Audit Recommendations**

- 2.1 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. **Internal Audit Performance Indicators**

- 3.1 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:

IA Performance Indicator	Annual Target	Actual % Delivery to date
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	97

3.2 There are currently no significant issues arising.

4. **Internal Audit Planned Work Qtr 3 2022/23**

4.1 Audit work is currently being delivered in accordance with the Internal Audit Plan for 2022-23 as endorsed by this Committee in March 2022. 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. Work currently identified for the quarter includes the following, some of which is in progress:

- Business Grants - Post Assurance Checks
- Financial Resilience – Budget Processes
- Merseyside Pension Fund (Collaborative work with Greater Manchester and West Yorkshire Fund Auditors into GLIL Infrastructure Investment)
- Merseyside Pension Fund (Ukraine - Investment Exposure)
- Regeneration – Hind Street Development
- Wirral Growth Company
- Health and Safety
- Integrated Commissioning System
- Fair Cost of Care review
- Business Planning
- Human Resources – P11D Tax System
- SmartBusiness Project (ERP)

5. **Internal Audit Developments**

5.1 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 developments involving the Mersey Region Counter Fraud group led by Wirral Internal Audit,
- 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 via a real time dashboard for Members of this Committee,
- Ongoing improvements to the audit reporting format for consultancy engagements,
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services.

5.2 Quality Assurance Improvement Plan

5.2.1 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit develops and maintains a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity.

The purpose of the QAIP is to provide reasonable assurance that Internal Audit:

- 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.

5.2.2 Internal Audit's QAIP, attached at Appendix 3 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.

5.2.3 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 that incorporates 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.

5.2.4 PSIAS Standard 1320 requires that the form and content of the QAIP should be established through communication with the 'Board' (Audit & Risk Management Committee). Committee approved the QAIP in 2015 and subsequent annual updates thereafter.

5.2.5 Internal Audit undertakes a self-assessment review of its activities against the QAIP annually to ensure that service continues to comply with all aspects of the programme and informs this Committee of the outcome. The findings and outcome of the recent exercise is attached at Appendix 2 and details the actions currently undertaken by the service to ensure continued compliance. It is very pleasing to note that the service continues to comply with all aspects of the programme.

This page is intentionally left blank

Quality Assurance and Improvement Programme Review – 2021/22

Page 15

Ref	Requirement	Evidence	Frequency of review	Who is involved?	Improvement Actions/ No issues
1. Development of the Quality Assurance and improvement Programme					
1.1	QAIP has been established for Internal Audit in line with the PSIAS.	QAIP established and approved by Audit and Risk Management Committee, last update review Jan 2021.	Annual	Chief Internal Auditor (CIA)/ARMC.	No issues
1.2	QAIP comprises of Internal assessments (both ongoing and periodic) and external Assessments.	QAIP contains these elements.	Annual	Chief Internal Auditor/ARMC.	No issues
2. Requirements of Internal Assessments – Ongoing					
2.1	Management Supervision.	Tracked changes on documents, documented evidence of supervisory review, Post Audit Assessment undertaken identifying training/development on relevant documentation.	Ongoing reviews.	All Programme Auditor's and Audit Manager (AM).	No issues
2.2	Structured, documented review of working papers during audits and draft/final reports.	Tracked changes on documents, evidence supervisory review, training and development / improvement issues arising documented as part of PAA.	Ongoing - reviews.	All Programme Auditor's and Audit Manager.	No issues

Ref	Requirement	Evidence	Frequency of review	Who is involved?	Improvement Actions/ No issues
2.3	Audit Policies and Procedures used to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards.	Template documents exist and are utilised by all auditors on all assignments. Internal Audit Manual identifies all relevant policies, procedures and protocols. Quality Assurance Checklists in operation. Internal Audit Charter provides summary overview of the audit process	As required	Chief Internal Auditor	No issues.
2.4	Comprehensive Internal Quality Reviews regularly undertaken.	Ongoing supervisory reviews undertaken for all audits utilising documented template. Post Audit Assessment utilised for all audits.	Ongoing	Chief Internal Auditor/Audit Manager/Programme Auditors.	No Issues identified.
2.5	Feedback obtained via audit Client Questionnaire	Standard questionnaire issued after each and every audit. Outcomes reported to all ARMC meetings.	Ongoing	Chief internal Auditor/ Audit Manager/Programme Auditors/ Lead Auditors.	No issues.
2.6	Auditor Skills Appraisal Assessments regularly undertaken to assess auditors performance	Auditor Skills Appraisal Assessment undertaken, evaluating auditors performance against key core competencies and identifying areas for development and improvement.	Ongoing	Reviewed by Audit Manager and Chief Internal Auditor.	No issues

Ref	Requirement	Evidence	Frequency of review	Who is involved?	Improvement Actions/ No issues
2.7	Monitoring of internal performance targets and quarterly outturn reporting to ARMC.	Performance targets achievement monitored on ongoing basis via performance spreadsheet/Power Bi Dash and reported to every meeting of ARMC.	Ongoing	Chief Internal Auditor/ Audit Manager/Programme Auditor's.	No issues
2.8	Review and approval of all final reports by Chief Internal Auditor/Audit Manager.	Established quality review process requires reports to be reviewed and approved by CIA or AM and outcomes documented.	Ongoing	Chief Internal Auditor/Audit Manager.	No issues
3. Requirements of Internal Assessments – Periodic					
3.1	Self-assessment against PSIAS	Annual self- assessment completed and ongoing. External Review undertaken 2020, next external review scheduled for 2023.	Annual or as the Standards change.	Chief Internal Auditor	No issues
3.2	Quarterly IA Update Reports presented to ARMC.	Quarterly update reports prepared by CIA summarising IA activity, items of note/escalation and performance data presented at every quarterly meeting of ARMC.	Annual	Chief Internal Auditor	No Issues
3.3	Annual performance evaluation form to all Chief Officers.	Performance Evaluation Questionnaire discussed with Chief Officers at annual planning meetings each year and feedback utilised to help improve/develop	Annual	Chief Internal Auditor	No issues

Ref	Requirement	Evidence	Frequency of review	Who is involved?	Improvement Actions/ No issues
		the IA service.			
3.4	Annual Audit Planning Risk Assessments	The comprehensive annual audit planning process identifies all key issues and risks to the organisation and targets audit work in these areas. The Audit Plan is approved and endorsed by Chief Officers and ARMC.	Annual	Chief Internal Auditor/ARMC.	No Issues
3.5	Annual review of Internal Audit Service by Chief Internal Auditor.	Chief Internal Auditor undertakes ongoing review and evaluation of the service identifying areas for development/improvement arising from customer feedback, PAA's, Away Day sessions, Team Briefings, Peer sessions, self assessments against PSIAS and other best practice guidance etc and reports actions to ARMC on a quarterly basis. This is summarised in the Chief Internal Auditors Annual report.	Ongoing	Chief Internal Auditor	No Issues.
3.6	Annual review of compliance with QAIP.	Review undertaken annually, reported to ARMC.	Annual	Chief Internal Auditor	No Issues
3.7	Feedback from Chief Executive, Section 151	Annual appraisal of CIA undertaken by Section 151 Officer	Annual	Section 151, CEO, ARMC Chair.	No issues

Ref	Requirement	Evidence	Frequency of review	Who is involved?	Improvement Actions/ No issues
	Officer and Chair of ARMC to inform annual appraisal of CIA.	who obtains input from CEO and ARMC Chair prior to appraisal.			
3.8	Periodic Skills and Competency appraisal conducted for all Auditors.	Auditor Skills Appraisal Assessment undertaken after every audit, evaluating auditors performance against key core competencies and identifying areas for development / improvement. In addition, Corporate Performance Appraisal completed for each Auditor annually with outcomes from Auditor Skills Appraisal feeding this process and culminating in a development plan.	Ongoing/Annual	Chief Internal Auditor/Audit Manager/Programme Auditor/Lead Auditors.	No Issues
3.9	Improvement/development actions arising from assessments are reported to ARMC.	Quarterly Internal Audit Update reports for ARMC identify actions taken to improve and develop the internal audit service.	Annual	Chief Internal Auditor	No Issues
3.10	Any significant areas of non compliance with PSIAS are included in the Chief Internal Auditors Annual Report.	Any areas of non compliance would be routinely included in the Annual Report. External assessment during 2019 identifying 'full compliance' with	Annual	Chief Internal Auditor	No Issues

Ref	Requirement	Evidence	Frequency of review	Who is involved?	Improvement Actions/ No issues
		PSIAS across all areas.			
4. External Assessment					
4.1	An independent external assessment should be performed every 5 years	External assessment completed by external inspectors during 2019 and next one scheduled for 2023.	Every 5 years	Chief Internal Auditor/ North West Chief Audit Executives Group Peer Review.	No Issues.
5. Reporting on the QAIP					
5.1	Review of compliance against the requirements of the QAIP, the results of which are reported to the ARMC.	Compliance reviewed annually and reported to ARMC in IA Update Report.	Annual	Chief Internal Auditor/ARMC.	No Issues

WIRRAL INTERNAL AUDIT SERVICE

QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

Prepared by: **Mark Niblock**
Chief Internal Auditor

Version 1.0

**WIRRAL COUNCIL INTERNAL AUDIT
Quality Assurance & Improvement Programme 2021-22**

Contents

	Page
1. Introduction	2
2. Internal Assessments	2
3. External Assessments	4
4. Review of the QAIP	4
5. Appendices	
A. Internal Audit Quality Review Record & Checklist	6
B. Customer Questionnaire	9
C. Auditor Skills Appraisal Assessment	10
D. Internal Performance Targets	14
E. Annual Performance Evaluation Form	15

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 Checklist completed 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;

WIRRAL COUNCIL INTERNAL AUDIT

Quality Assurance & Improvement Programme 2021-22

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 Skills and Competency assessments conducted for each Internal Auditor based on the principles of the CIPFA Guidance document "The Excellent Internal Auditor" (2010) to inform the appraisal process (Post Audit Assessment).
- 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

QUALITY REVIEW RECORD

Audit Assignment:

Gateway	Review Comments	Action Undertaken	Date	Outcome Agreed	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 2021-22**

AUDIT REPORT- QUALITY CONTROL CHECKLIST

Report Title:

Cover	
Report title, Draft issue date and Distribution details including relevant officer's names / job titles have been completed.	<input type="checkbox"/>
Contents	
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"/>
Executive Summary	
Appropriate length	<input type="checkbox"/>
No "....." or "XXXXX" 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"/>
Report Headings	
Correctly Identified	<input type="checkbox"/>
All relevant detail included and numbered correctly	<input type="checkbox"/>
Review of Effectiveness	
Appropriately summarised, supported by evidence obtained and numbered correctly	<input type="checkbox"/>
Areas of Good Practice	
Appropriate, balanced and correctly annotated and numbered	<input type="checkbox"/>
Findings & Recommendations	
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"/>
Action Plan	
Recommendations are identical to those in the "Findings & Recommendations" section	<input type="checkbox"/>
Appendix	
Customer Feedback form included	<input type="checkbox"/>
General	
Bullet style used is consistent throughout report and aligned with text: • <i>Example</i>	<input type="checkbox"/>
Bulleted lists formatted:	<input type="checkbox"/>

WIRRAL COUNCIL INTERNAL AUDIT Quality Assurance & Improvement Programme 2021-22

<ul style="list-style-type: none"> • 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"/>
Final Reports	
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"/>
Working Papers	
Working papers completed	<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):	
All issues identified recorded on Item 4	<input type="checkbox"/>
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:

How satisfied were you with the overall service received from Internal Audit?								
Please Indicate	Very Satisfied		Satisfied		Dissatisfied		Very Dissatisfied	
<i>Please explain your answer</i>								

Page 30

If you would like to discuss any issues regarding this audit, please contact the Chief Internal Auditor.

Completed by:..... Signed: Date:.....

AUDITOR SKILLS APPRAISAL SYSTEM

POST-AUDIT ASSESSMENT

Guidance for Completion

This assessment should be completed and discussed by the auditor and the manager within one week of the completion of the audit review and sending of the audit report.

The process should take no more than one hour in total.

The audit details should be considered, and details of any variances of hours spent on the audit, and any other relevant comments or contextual information considered.

The assessment should consider the auditor's competence in delivering the audit and considering the categories identified on the Assignment Sheet.

The auditor's development should then be discussed in light of their objectives and planned development opportunities identified during the assessment and any training or development needs agreed and notified to the Chief Internal Auditor or Audit Manager.

Please refer to the "Auditor Skills Framework - Explanatory Note" for further details (link on Assignment Sheet).

**WIRRAL COUNCIL INTERNAL AUDIT
Quality Assurance & Improvement Programme 2021-22**

Page 32

INTERNAL AUDIT ASSIGNMENT SHEET			
Audit: <i>(Review and follow-up)</i>			
Auditors assigned to the task :	Audit Hours		Reasons for Variance
	Budget	Actual	
Review			
1.			
2.			
Follow-Up			
1.			
2.			
Audit Objectives :			
<p>Guidance note (to be deleted): <i>The wording for the Audit Objective should be consistent between the Assignment Sheet, Letter of Engagement and Draft Report</i> Section 2210 of the PSIAS concerning Engagement Objectives includes the following requirements: Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment. Internal auditors must consider the probability of significant errors, fraud, non-compliance and other exposures when developing the engagement objectives.</p>			
Audit Scope :			
<p>Guidance note (to be deleted): <i>The wording for the Audit Scope should be consistent between the Assignment Sheet, Letter of Engagement and Draft Report. If the scope is changed during the audit this should be reflected in the Audit report. The Audit Scope should include extent of coverage/special areas and Reason for covering areas: System</i></p>			

**WIRRAL COUNCIL INTERNAL AUDIT
Quality Assurance & Improvement Programme 2021-22**

*Review, Tests, Probity, Investigation, other (specify).
Mention should also be made regarding: obtaining evidence to support the Review of Effectiveness; and, if applicable, suggestions made by SLT members.*

Key Gateway Reviews:

Guidance note (to be deleted):

This should include a clear reference to the specific stages of the audit when the Lead Auditor and Programme Lead / Audit Manager will agree and sign-off the audit approach (these will be referred to as 'Gateway Reviews'). The gateway reviews will always include LoE, Risk & Control Evaluation (previously Item 8/9) and Draft Report. (The review stages may include additional stages depending on the complexity and risk of the review and relevant experience of the LA / PL).

*Section 2240 of the PSIAS concerning Engagement Work Programme includes the following requirements :
Internal auditors must develop and document work programmes that achieve the engagement objectives.
Work programmes must include the procedures for identifying, analysing, evaluating and documenting information during the engagement. The work programme must be approved prior to its implementation and any adjustments approved promptly.*

Prepared by:

Date:

Agreed by:

Date:

Post Audit Assessment – see page 2

**WIRRAL COUNCIL INTERNAL AUDIT
Quality Assurance & Improvement Programme 2021-22**

Post Audit Assessment

Guidance note (to be deleted):

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 on occasion 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 - [link](#), they should be reported in an email to the respective line manager and not recorded on this form.

Signed :

Signed :

Date :

WIRRAL COUNCIL INTERNAL AUDIT
Quality Assurance & Improvement Programme 2021-22

INTERNAL AUDIT – PERFORMANCE TARGETS

Appendix D

CATEGORY	DESCRIPTION	NARRATIVE	HOW IT'S MEASURED	TARGET
COMPLIANCE	PSIAS Compliance	Level of compliance with requirements of PSIAS / LGAN ¹	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	APACE audit time recording / Performance Spreadsheet management system	>95%
OUTPUTS	Planned Audits completed	%age of planned audit reviews completed	Time recording / Performance Spreadsheet management system	>90%
QUALITY	Client Satisfaction	%age of Post Audit Customer Feedback Questionnaires in which management are "Very Satisfied" or "Satisfied" with quality of audit	Post Audit Questionnaire Annual Performance Evaluation Form (Heads of Service)	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	95%
ADDED VALUE	Corporate Management Satisfaction	%age of High priority recommendations agreed with clients	Returned Audit Action Plans	100%

Page 35

¹ Public Sector Internal Audit Standards (PSIAS) / CIPFA Local Government Application Note (LGAN)

**WIRRAL COUNCIL INTERNAL AUDIT
Quality Assurance & Improvement Programme 2021-22**

APPENDIX E

ANNUAL PERFORMANCE EVALUATION FORM

Directorate

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.

Are you satisfied that:

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

Please add any additional comments and/or suggestions

Name	
Position	
Date	

Thank you for your time in completing this survey.

Please return to: Mark Niblock, Chief Internal Auditor



AUDIT AND RISK MANAGEMENT COMMITTEE

WEDNESDAY 26 OCTOBER 2022

REPORT TITLE:	INTERNAL AUDIT COUNTER FRAUD REPORT
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

The purpose of this report is to update the Committee on the activities of the Corporate Counter-Fraud Team within Internal Audit. The report covers the work undertaken by the Team during the previous eighteen months.

RECOMMENDATION

The Audit and Risk Management Committee is recommended to note the report and continue to support the work of the team.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide Members with assurance that the Council is taking appropriate action to address the risk of fraud and that suspected frauds are investigated, and appropriate actions taken to prosecute perpetrators, recover losses and improve financial controls.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered appropriate as the service is required to comply with the very specific requirements of the Public Sector Internal Audit Standards for delivery and reporting frequency.

3.0 BACKGROUND AND AUDIT OUPUT

- 3.1 Local authorities face a significant fraud challenge. Fraud costs local government over £7 billion a year. Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community.
- 3.2 The high-risk fraud areas faced by the Council are incorporated into the annual Internal Audit planning process and audit work has been completed during the reporting period and will continue to be undertaken during 2022-23. More detail on this activity is identified in the appendix to this report.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Delivery of the counter-fraud work will be met from existing Internal Audit resources.

5.0 LEGAL IMPLICATIONS

- 5.1 Local Authorities have a statutory duty to have arrangements in place for the proper administration of their financial affairs under the Local Government Act 1972. That duty includes the prevention, detection and deterrence of fraud and corruption. The Counter Fraud and Corruption Strategy, Anti-Fraud and Corruption Policy and Fraud Response Plan provides a framework for fraud awareness, response and key actions relating to improving the Council's counter fraud and corruption framework. In the absence of an up-to-date strategy and policies there is a risk that fraud and corruption may not be monitored or be unreported.
- 5.2 The Bribery Act 2010 came into law in July 2011. The Act creates two general offences covering the offering, promising, or giving of an advantage and requesting, agreeing to receive, or accepting of an advantage. It also introduces a corporate offence of failure to prevent bribery by persons working on behalf of a business. An organisation can avoid conviction if it can show that it has adequate procedures in place to prevent bribery.

6.0 RESOURCE IMPLICATIONS

- 6.1 It is envisaged that all work will be carried out within existing resources.

7.0 RELEVANT RISKS

- 7.1 That fraud is not properly addressed, investigated and appropriate actions are not taken to prosecute perpetrators, recover losses and improve financial controls.

7.2 Given the budgetary constraints the council has been faced with and the reduced staffing levels it will always be a risk that previously robust procedures may not be followed and therefore providing the opportunity for fraud to occur.

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 The content and/or recommendations contained within this report have no direct implications for equality. However, the delivery of an effective internal audit service will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of equality.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The content detailed within this report are expected to have no direct impact on emissions of CO2/Greenhouse Gases.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendations contained within this report have no direct implications for community wealth. However, the delivery of an effective internal audit service will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of economic, social and environmental justice for all residents.

REPORT AUTHOR: **Mark P Niblock**
Chief Internal Auditor
telephone: 0151 666 3432
email: markniblock@wirral.gov.uk

APPENDICES

Appendix 1 – Counter Fraud Team Activity Update

BACKGROUND PAPERS

Internal Audit Plan
Counter Fraud Strategy and Policy

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Annual Report

This page is intentionally left blank

APPENDIX 1

COUNTER-FRAUD TEAM ACTIVITY UPDATE 2021-22

1. The Remit of the Counter Fraud Team is to:

- Prepare relevant best practice policies and procedures.
- Facilitate changes to the culture of the organisation by raising awareness amongst the workforce to fraud and corruption through targeted training.
- Proactively manage the risk of fraud to the Council through targeted audits in high-risk areas.
- Provide both a proactive and a reactive response to tackling fraud across the authority.
- Investigate serious financial frauds perpetrated against the Council.
- Direct or supporting involvement with disciplinary and grievance cases.

2. Work Undertaken during 2021-22

- 2.1 The Counter Fraud Team oversees the operation of the Mersey Region Fraud Group and contributes to the North-West Chief Audit Executives Counter-Fraud Sub-Group which consists of several authorities and partner organisations. The groups have continued to develop a regional approach to counter fraud, including the production of generic policies and procedures, collaborative working and developing practical solutions to mitigate fraud risks.
- 2.2 The Council subscribes to the National Anti-Fraud Network, which promotes the sharing of information between Authorities and publishes regular bulletins on fraud cases and attempted scams, which are distributed to relevant staff.
- 2.3 The Team oversees and co-ordinates the Council's involvement in the National Fraud Initiative (NFI) which the Council is required by law to participate in every two years. This is a national exercise using data matching audit techniques. Council-wide data sets covering a wide range of financial and non-financial applications are uploaded to the Cabinet Office website, which are then matched with data within and between participating bodies to identify potential fraud and error.
- 2.4 On receipt of the results the Council has responsibility to follow up and investigate the matches. The NFI exercise consistently generates significant savings for the Council, arising largely from payments recovered or stopped. The 2020-21 exercise identified over £223,000 of overpayments/errors, of which the Council has recovered or is in the process of recovering £219,000.
- 2.5 Council Tax Single Person Discount data is submitted to the NFI annually in December, when the electoral data compilation is completed. The December 2021 exercise identified over £104,000 of overpayments/errors, of which the Council has recovered or is in the process of recovering £104,000.
- 2.6 The Team has worked with departments to develop and implement Action Plans, ensuring lessons are learnt from this exercise. The aim being to identify common themes and recurring types of overpayments/errors, so that departments can identify what changes and measures can be taken to reduce them.

- 2.7 Data is currently being submitted by departments for the 2022-23 NFI exercise and the matches will be available to review by departments in late January 2023.
- 2.8 The Team reviews the Counter-Fraud and Corruption Strategy and Policies annually to ensure they are up to date, and that these are promoted across the Authority.
- 2.9 The Team continually assesses itself against CIPFA's "Code of Practice on Managing the Risk of Fraud and Corruption" and Cifas' "Fighting Fraud and Corruption Locally: A strategy for Local Government, to ensure its counter fraud arrangements are adequate and fit for purpose.
- 2.10 During the last eighteen months, the officers of the Counter-Fraud Team attended appropriate and relevant virtual training and awareness sessions delivered outside of the authority by organisations, such as CIPFA and Cifas. These provide important opportunities for the officers to update and refresh their knowledge in the counter fraud arena.
- 2.11 In November 2021, the Team coordinated its week-long Staff and Public Fraud Awareness Campaign, which coincided with the international fraud awareness campaign. The aim of the week is to heighten the awareness of the problem and scale of fraud in the public sector and to encourage staff and the public to report any suspicions of fraud that they may have. This resulted in twenty seven non-benefit related reports and referrals being made to the team.
- 2.12 In addition, the Counter Fraud Team provides advice to departmental officers investigating suspected frauds and irregularities, in cases where these are investigated within the department.
- 2.13 The Team has developed three new e-learning modules covering Fraud, Bribery & Corruption and Money Laundering, which will be rolled out as part of this year's Fraud Awareness Campaign, in November 2022.
- 2.14 The Counter Fraud planning process includes a review of fraud risks to ensure that all relevant risks are identified and to support the development of a programme of proactive anti-fraud work that minimises the risk of loss to the Council.
- 2.15 The Team maintains a fraud referral register, which is used to collate details of all reported fraudulent activity across the Council, whether investigated by the Counter-Fraud Team or by the relevant department. The information contained within the register is then used to identify potential weakness and areas that may be susceptible to increased attempts of fraud and as such where Counter-Fraud resources need to be directed.
- 2.16 The Team has conducted seven audits and investigations across a wide range of topics and, as identified in the Strategic Internal Audit Plan presented to this Committee in March 2021, and subsequently reported upon at corresponding meetings. These assignments whilst predominately planned also include pieces of work in response to requests from Chief Officers or Members or resulting from allegations made, including whistleblowing.

2.17 Outcomes from individual audits and investigations are reported to Members through the bi-monthly reports, quarterly Internal Audit Update reports and the Chief Internal Auditors Annual Report.

3. Summary

3.1 The wide range of the activities and incidents covered in this report highlights the extent to which fraud and error exist as risks to the achievement of the Council's objectives and the degree to which these risks can change over time. There are programmes of work in place across the Council to identify and investigate fraud risks and there is effective communication between the services involved.

3.2 Participation in counter-fraud activities and compliance with best practice helps to strengthen the Council's approach and management of these risks. Working with partners, as demonstrated by the NFI, successfully illustrates the benefit of partnership working and co-operation between all involved.

3.3 Work will continue in 2022-23 to ensure that the Council promotes an environment where fraud and corruption are not tolerated, and the Council responds effectively to all fraud risks.

This page is intentionally left blank



AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday 26th October 2022

REPORT TITLE:	CORPORATE RISK MANAGEMENT UPDATE
REPORT OF:	DIRECTOR OF RESOURCES (S151 OFFICER)

REPORT SUMMARY

This report provides an update on the Council's risk management arrangements for the Corporate and Directorate Risk Registers.

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

RECOMMENDATION

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 Robust risk management practices across the Council help to ensure that risks are identified, regularly discussed, and understood by all parties to allow for the management and, where possible, the mitigation of risks.
- 3.2 It is often not possible to fully eliminate or transfer risk but instead the aim can be to reduce it to acceptable and tolerable levels as well as improving the awareness and visibility of risk levels being carried by the Council.
- 3.3 The regular review of risk registers helps to demonstrate sound decision making and allows for them to be dynamic as well as reflect the changing situation the Council operates within.

Corporate Risk Register (CRR)

- 3.4 Following the detailed review of the Corporate Risk Register, a subsequent session with a selection of Directors in July and comments made at the Risk Sub-Group meeting on the 28th of July the latest version of the CRR is attached to this report as Appendix 1.
- 3.5 The Strategic Leadership Team (SLT) is due to undertake a review of the Corporate Risk Register on 26th October 2022. The output of this review will be made available for discussion at the next meeting of this Committee's Risk Sub-Group on the 1st of November.
- 3.6 Following the SLT review session the CRR will be shared at the monthly Organisational Performance Group and be available for directorates to consider as part of their regular reviews of the Directorate Risk Registers to allow the flow of risks up and down through the risk hierarchy described above.

Directorate Risk Registers (DRRs) and Directorate Business Plans

- 3.7 All directorates are required to produce and maintain a risk register. These are managed and monitored at the Directorate Management Team meetings, as a minimum on a quarterly basis. The DRR then forms part of the bi-monthly meetings each Director holds with the Chief Executive and the Director of Resources.
- 3.8 All directorates have undertaken a review over the last quarter following the production or refresh of their DRR in line with the production of the Directorate Business Plans for this current financial year.

- 3.9 Directorate Business Plans are developed annually. A standard Directorate Business Plan template and guidance, including a section on risk management is to be refreshed and made available to directorates in the New Year, during January/February 2023. This allows for links to the revised corporate plan, Wirral 2023-2027, and the Improvement Plan, both in terms of the vision, aims and priorities.
- 3.10 The business planning process for 2023/24 will commence in March 2023, in line with the budget approval process. The expectation will be that all plans are completed by the end of April 2023.
- 3.11 In August 2022 the Chair of this Committee wrote to the Chairs of the Policy and Service Committees to highlight the collective responsibility for the governance of the Council, which includes following and understanding the Council's risk management framework.
- 3.12 One of the suggestions made in the letter was for each committee to hold a dedicated risk session for a subgroup of each committee with the relevant Director to discuss in detail their Directorate Risks and associated Corporate Risks, similar to that undertaken for budget discussions and that of the ARMC Risk Sub-Group.

ARMC Risk Sub-Group

- 3.13 The next Risk Sub-Group is due to take place on Tuesday 1st November with subsequent meetings planned for late January and early March.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are no immediate financial implications arising directly from this report however, failure to manage the Council's risks effectively could lead to further risk to the Council's financial resilience.

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.

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 The content and/or recommendations contained within this report have no direct implications for community wealth. However, the development of effective corporate risk management arrangements will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of economic, social, and environmental justice for all residents.

REPORT AUTHOR: Helen Turner
 (Risk, Continuity and Compliance Manager)
 email: helenturner@wirral.gov.uk

APPENDICES

Appendix 1 – Corporate Risk Register October 2022

BACKGROUND PAPERS

Risk Management Policy

Letter from the Chair for the Audit and Risk Management Committee, addressed to Policy and Services Committee Chairs 04/08/2022

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
Update of the Corporate Risk Register	23 September 2019
Update of the Corporate Risk Management Arrangements	18th November 2019
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 th July 2021
Corporate Risk Management Update	27 th September 2021

Corporate Risk Management Update	30 th November 2021
Corporate Risk Management Update	24 th January 2022
Corporate Risk Management Update	15 th March 2022
Corporate Risk Management Update	27 th June 2022

This page is intentionally left blank

Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current / Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Target Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Status of Risk ↑ ↓ ↔ *	Associated Wirral Plan 2021-26 Priority (select from dropdown - up to 2)	Comments / Progress
				Likelihood	Impact	Total	Likelihood	Impact	Total			
1	Ability to Deliver Change / Improvements and Services Failure to translate into action and deliver changes needed, including organisational culture, and improvement action plan leads to increased scrutiny interventions/commissioners, inefficiencies, financial implications		Independent Assurance Panel established Dec 2021. Regular reporting to P&R Committee DLUHC Recommendations monitoring in place Regular monitoring reports by Independent Assurance Panel Agreement to move to all out elections in 2023. Changes to committees - number and structure implemented May 2022 Refreshed Wirral Plan 2022/23 priorities and Improvement Plan ratified at Council July 2022 LGA Corporate Peer Challenge findings incorporated into plans.	2	5	10	2	5	10	*		
13	Good Working Relations to Deliver Change Challenges to maintain professional and collaborative working and relationships in hung council leads to delays in decision making, increased costs, threat of intervention	Director of Law & Governance	Council Constitution Training programmes for Members and Officers Engagement and discussions relating to amendments to committees, Improvement Plan and refresh of Wirral Plan Regular briefing meetings e.g Group Leaders	2	4	8	2	4	8	*		
2	Key Partnerships Failure to develop and maintain key partnerships, with effective governance and decision making, leads to loss of reputation with external stakeholders, distraction from priorities, breakdown of arrangements and inefficiencies	Chief Executive & Director of Neighbourhood Services	Wirral Plan - links with partner priorities, committee work plans Wirral Strategic Partnership Group - September 2022 Community, Voluntary and Faith (CVF) Sector Reference Group established in 2021, mechanism to promote the views of the CVF Sector to the Health and Wellbeing Board. Identify key partnerships: NHS via ICS live from 01/07/22 - joint committee structures Wirral Safeguarding Children Partnership Community Safety Partnership Cool Wirral LCR/DLUHC / Homes England	2	4	8	1	4	4		A - Active and Healthy Lives - working to provide happy, active and healthy lives for all, with the right care, at the right time to enable residents to live longer and healthier lives. C - Inclusive Economy - working for a prosperous, inclusive economy - helping businesses to thrive and creating jobs and opportunities for all.	
21	Opportunity - Ability to build on the positive Covid response leading to better partnership working, speed of delivery and ability of doing things differently and effectively Linked to 2 Partnerships		*** building on Place Plan with NHS - people priorities - timescales			0			0	*		New Risk - yet to be scored - scoring matrix to be adapted to reflect positive risk.
Page 31	Whole Council Recovery Lack of effective recovery from pandemic/Failure to link strategic plans to ensure whole organisation/corporate responsibility for recovery resulting in poor service delivery, lack of transformation and people left behind			2	4	8	2	4	8	X	D - Safe and Vibrant Communities -Working for safe and pleasant communities where our residents feel safe, and are proud to live and raise their families B - Brighter Futures - working together for brighter futures for our children, young people and their families by breaking the cycle of poor outcomes for all regardless of their background	July 2022 Risk removed. Suggestion of alternative risk for inclusion at directorate level related to assets and revised ventilation requirements for safe working environment.
4	Increasing and unmanageable demand for services Pressures on public of Cost of Living and longer term Covid impacts leads to changes in planning assumptions and unanticipated demand for services resulting in infrastructure and service structures not fitting requirements, growing inequalities, inefficiencies, increased costs, public at risk.	Directors of Children's, Adults and Public Health	Use of Public Health intelligence to highlight health and wellbeing needs of the local population, inform local priorities, policies and strategies. Partnership working with Wirral's Health and care, voluntary and 3rd sector organisations to use Wirral resources to support residents to lead active and healthy lives. NHS Health Inequalities group also established. Logic financial modelling to understand impact of current initiatives on savings Monitoring of savings targets and impact of pressures on services Reporting and monitoring demand on services and other wider pressures e.g. workforce. Developed workforce strategy Accommodation Gateway Panel reviewing children when they come into care Health and Wellbeing Strategy 2022-27 approved Sept 2022 State of the Borough report produced to provide a range of statistics to report on health and wellbeing in the borough and inform planning.	3	4	12	3	4	12		A - Active and Healthy Lives - working to provide happy, active and healthy lives for all, with the right care, at the right time to enable residents to live longer and healthier lives. B - Brighter Futures - working together for brighter futures for our children, young people and their families by breaking the cycle of poor outcomes for all regardless of their background	Oct 2022 Wirral, like other national and regional systems across Cheshire and Merseyside is facing ongoing significant challenges across Urgent and Emergency and Care pathways. Including for Ambulances, the Emergency Department, hospital bed occupancy levels and timely discharge pathways returning people home. In addition, it is acknowledged that this winter will be more challenging than most in respect of the cost of living crises. Also from October 2023, the Government plans to introduce a new £86,000 cap on the amount anyone in England will have to spend on their personal care over their lifetime. Could lead to an increase in demand/costs.

Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current / Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Target Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Status of Risk ↑ ↓ ↔ *	Associated Wirral Plan 2021-26 Priority (select from dropdown - up to 2)		Comments / Progress
5	Safeguarding Failure of Council and partnership working to effectively manage safeguarding risks across all services leading to a safeguarding incident, resulting in harm to individuals and/or families, potential legal challenge, resident dissatisfaction and public scrutiny	Directors of Children's and Adults Services	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 multiagency 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. Participation in Wirral Safeguarding Adults Partnership Board established in 2021 DASS contract review including safeguarding requirements Adoption of the Prevention Framework Close monitoring of referrals and contacts, caseloads to provide early warning and enable staff highlight spike in demand Ongoing work with the CSU to understand the process around incident reporting and embed within contract monitoring arrangements.	3	5	15		2	5	10		A - Active and Healthy Lives - working to provide happy, active and healthy lives for all, with the right care, at the right time to enable residents to live longer and healthier lives. B - Brighter Futures - working together for brighter futures for our children, young people and their families by breaking the cycle of poor outcomes for all regardless of their background	
6	Challenging Market Conditions - Health & Care Sector Inability to respond to difficult market conditions (cost of living/inflationary costs, recruitment /staffing) leading to lack of provision, increased costs and budgets	Directors of Children's and Adults Services	Fostering Improvement Plan / Placement Review. Quality assurance and contract management systems in place. Care provider market support for service continuity and quality of provision. Use of care homes contingency plans which cover events which may affect the safe running of the service. Wherever possible, we would expect the registered person to take reasonable steps to cover the staff shortfalls themselves in the short-term using bank or agency staff. LCR Flexible Purchasing Framework supporting providers to access work across region Fair cost of care increases in Adults Services	3	4	12		3	4	12		A - Active and Healthy Lives - working to provide happy, active and healthy lives for all, with the right care, at the right time to enable residents to live longer and healthier lives. B - Brighter Futures - working together for brighter futures for our children, young people and their families by breaking the cycle of poor outcomes for all regardless of their background	Target score to be considered - can the risk be reduced or is it a case of holding position?
Page 52	SEND 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	Directors of Children's and Adults Services	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		2	4	8		B - Brighter Futures - working together for brighter futures for our children, young people and their families by breaking the cycle of poor outcomes for all regardless of their background	July 2022 Second monitoring visit by DfE, next in Nov.
8	Service Delivery Failure Unanticipated major failure in service area (particularly Adults / Children's / Regeneration) leads to service users at risk, intervention/enforcement action, increased costs and damage to reputation	Directors of Children's, Regeneration & Place and Adults Services	Adequate governance and reporting to monitor - early warnings Director regular check-ins with CEx	3	5	15		3	5	15	*		Oct 2022 Discussion to be had at SLT - are 8 and 14 linked?
14	Emerging Threats/Diseases Lack of knowledge and uncertainty of new and emerging diseases leading to challenges in maintaining and developing plans resulting in inability to respond effectively, inefficiencies, risk to public and staff.	Director of Public Health	Local Health Resilience Partnership is in place to convene stakeholders, and this sits alongside the Merseyside Resilience Forum structure. Role of Health Protection Service	3	5	15		3	5	15	*	A - Active and Healthy Lives - working to provide happy, active and healthy lives for all, with the right care, at the right time to enable residents to live longer and healthier lives. D - Safe and Vibrant Communities -Working for safe and pleasant communities where our residents feel safe, and are proud to live and raise their families	Discussion to be had at SLT - are 8 and 14 linked?
9	Workforce Capacity to Deliver Lack of capacity to deliver services and change projects (across all levels inc SLT) resulting in delays to service redesign/improvements/project delivery and benefit realisation, inefficiencies and costs, welfare issues amongst staff, public at risk and reputational damage.	Director of Resources	Refreshed Wirral Plan 2021-26 and Directorate Business Plans 2022/23 setting out priorities and key activity. Role of Organisational Performance Group - highlighting cross cutting work, pressure areas and performance. 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. Welfare/wellbeing support - EAP, Flo and intranet information/awareness Staff Check-Ins procedures to help monitor workloads and pressure points - updated 2022. Staff Forum and various special interest network groups Vacancy Panel recruitment process and use of Matrix for agency recruitment	3	4	12		2	4	8	↔		July 2022 Risk expanded to include SLT in light of several departures over the summer with the potential to leave Council short on capability and capacity in the strategic space.

Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current / Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Selection of Planned Actions	Target Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Status of Risk ↑ ↓ ↔ *	Associated Wirral Plan 2021-26 Priority (select from dropdown - up to 2)		Comments / Progress
10	Health & Safety Management 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	Director of Resources	Health and Safety Strategic Group, chaired by Chief Executive, supported by the Health and Safety Steering Group. Hazard specific risk assessment procedures implemented for COVID-19 including for the remobilisation of services, reviewed by H&S Team and Public Health. Measures incorporated into general H&S risk assessments. Updated H&S Strategy and Policy rolled out 2021. Refresh of H&S subject specific policies and supporting information. Follow-up review undertaken by Zurich - progress demonstrated.	3	5	15	Monitoring and audit programme for risks identified within H&S Risk Profile tool. Completion of activity outlined in H&S Improvement Plan including recommendations from review by Zurich (follow up report June 2022) Update to policies and processes for commissioning and contract management of third parties, inc training for commissioners/contract managers.	2	5	10	↔			Sept 2022 Continued development of H&S risk profile tool including performance reporting and auditing policy
11	Financial Stability Failure to maintain sufficient level of priority and focus on achieving the required Financial Stability that could lead to in-year 2022/23 savings not being achieved resulting in budget overspend and/or 2023/24 budget not being delivered to timetable resulting in a legal budget not being set.	Director of Resources	Robust and rigorous monitoring of budgets and savings plans in year - included in regular performance reporting to committees Budget workshops held for Budget Holders - use of budget envelopes First round of budget workshops delivered over the summer 2022 to review Tranche 1 policy options. Clear financial governance structure - accountability, management and monitoring of budgets. Finance Sub-Committee established. Finance training for Members. Budget setting process for 2023/24 commenced much earlier than in previous years Report to P&R committee Oct 2022 - update on the 2023/24 budget position	3	5	15	Package of Tranche 2 savings will be brought forward and a further round of budget workshops will be scheduled with Policy Committees during October/November High-level, pre-budget consultation is initiated as early as possible, that seeks to harness the views of Wirral residents in relation to the prioritisation of Council services Review of the process for agreeing capital projects and funding to ensure a return on investment and a better link with the revenue budget Review of revenue grant process to strengthen processes and governance around bid approval and monitoring	2	5	10				June 2022 Financial monitoring highlighted a range of in-year (2022/23) financial pressures resulting from emerging external, national and global circumstances. These financial challenges are having a significant impact on: Contract inflation, Reduced income, Energy price increases, Pay inflation.
12	Long Term Financial Resilience/Management Failure to effectively develop long-term planning 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.	Director of Resources	Refreshed Medium Term Financial Plan based on investment and income generation Refreshed Financial Resilience Strategy Scrutiny and challenge to ensure future business cases for savings proposals are robust and deliverable 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 - consolidated revenue, capital and reserves management and monitoring. Community Wealth Building Strategy Develop a funding/investment strategy to identify internal finance pressures and external funding sources to support planned growth projects Development of Asset Management Plan and an accompanying Asset Disposal Strategy. Financial Recovery Plan - 3 year plan	2	5	10				
Page 53	Exposure to Long-Term Liabilities Failure to understand and monitor exposure to long-term liabilities (in particular within regeneration agreements/contracts) resulting in lack of planning/preparedness/contingencies, financial penalties and costs	Directors of Regeneration & Place and Resources	Arlingclose commissioned to provide technical accounting advice and to undertake a full review and report on each of the current projects. Workshop with key officers and Arlingclose undertaken - August 2022	3	5	15	Independent review of the Council's risk exposure in relation to all commercial investments - accounting within the single entity accounts of the companies, Wirral Council and group accounts	2	5	10	*	C - Inclusive Economy - working for a prosperous, inclusive economy - helping businesses to thrive and creating jobs and opportunities for all.		Oct 2022 Report is due to be received within the next month and an update to committee in January 2023 detailing their advice and or recommendations.
15	Response to a Significant Disruptive Incident (both internal and external) Inability to respond effectively to a significant disruption resulting in a major failure in service delivery, increased financial burden, risk to public and staff safety	Directors of Resources and Neighbourhood Services	Emergency response structure - Strategic Co-ordination Group, operational response was led by Tactical Co-ordination Group, when necessary operating through a series of delivery cells. Governance structures adaptable to changing situations e.g. during COVID-19 response. Role within Mersey Resilience Forum (MRF) - specialist groups, exercising and development of plans. Updated Community Safety Strategy - key priorities and activity Requirement for annual review of Business Continuity Plans and awareness raising with staff.	3	5	15	Review and refresh of arrangements post COVID-19 - building on changes to guidance and lessons learnt Exercising and testing of Business Continuity Plans External support to focus on ICT preparedness and plans Participation in MRF/national exercises - identifying plan improvements and developments	2	5	10	↔			
16	Cyber Security IT security and staff awareness are insufficient to deter, detect and prevent unauthorised access (internal and external) to IT systems, resulting in data breach/loss of access to data and disruption to Council services with increased financial costs.	Director of Resources	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 Keeping Safe 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. Roll out of new Cyber Ninja awareness training for staff and members - Sept 2022	4	5	20	Project to achieve Cyber Essentials+ accreditation in 2022 Review of Cyber Security Policy/activity Implementation of recommendations for Internal Audit reports	2	5	10	↑			Risk score increased to reflect increased global threats in particular as a result of war in Ukraine.
17	Climate Response Failure to deliver organisation target (Net Zero 2030) and boroughwide 2041 leads to increased financial costs, pressure on resources, impact on public health, reputation damage, lack of resilience	Director of Neighbourhood Services	Environment and Climate Emergency Policy and action plan, Action Plan Group meets regularly to monitor progress - targets for carbon, waste and trees. Wirral Plan - monitoring and reporting on delivery of related priority New ways of working and some unforeseen environmental benefits and opportunities to be built upon. Climate Emergency Manager and Team. Tree planting strategy inc targets in place. Partnership working through Cool Wirral Partnership's Climate Change Strategy, Cool 2. Carbon Literacy training - Bronze status as a Carbon Literate Organisation. Environmental impact assessment for Council contracts.	3	4	12	Delivery of Environment & Climate Emergency Action Plan Development of strategy on electric vehicles/charging linked with the climate emergency strategy Internal fleet - green fleet strategy and associated infrastructure Local Cycling and Walking Infrastructure Plan (LCWIP) to develop a comprehensive cycling and walking network. Develop an asset strategy providing high level overview of sustainable asset management. Development of building decarbonisation project and funding arrangements. Implement procurement strategy on climate emergency linked to social value programme for the achievement of the procurement targets within the climate emergency plan. Continued staff training and awareness programme. Internal Audit review recommendations - Oct 2022.	2	4	8	↔	E - Sustainable Environment - working towards a clean-energy, sustainable borough that leads the way in its response to the climate emergency and is environmentally friendly.	D - Safe and Vibrant Communities -Working for safe and pleasant communities where our residents feel safe, and are proud to live and raise their families	August 2022 Risk scoring and actions updated to reflected amended risk description. Council's carbon dioxide equivalent emissions* (CO2e) were 6,275 tonnes for 2021/22, and therefore went beyond the planned annual reduction for that period. However this was mainly through the purchase of green electricity, buildings continue to be the main source of emissions.

Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current / Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Target Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Status of Risk ↑ ↓ ↔ *	Associated Wirral Plan 2021-26 Priority (select from dropdown - up to 2)	Comments / Progress
18	Development and Implementation of the Local Plan 2022-2037 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.	Director of Regeneration & Place	Regulation 19 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 DLUHC Ongoing engagement with Homes England and LCR CA on funding for strategic brownfield sites	2	4	8	1	4	4	↔	C - Inclusive Economy - working for a prosperous, inclusive economy - helping businesses to thrive and creating jobs and opportunities for all. D - Safe and Vibrant Communities -Working for safe and pleasant communities where our residents feel safe, and are proud to live and raise their families	Sept 2022 Local Plan due to be submitted to Government by November 2022 June 2022 Anticipate risk will change and drop to DRR after final inspection later in 2022. Full Council (21st March 2022) approved the publication of the Submission Draft Plan for representations to be submitted on its 'soundness' before submitting it to the Secretary of State
19	Vision for Economic Development Failure to provide a co-ordinated vision (inc across partners) including understanding of impacts of historical agreements leads to delays/indecision/conflicting demands and inability to deliver vision and strategy for sustainable economic development and infrastructure resulting in a decline in prosperity, increased deprivation and inequalities across borough as well as in increased demands on council services, increased costs.	Director of Regeneration & Place	Development and consultation of the Local Plan. Regeneration 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 Birkenhead 2040 Framework approved March 2022 Clearly documented legal frameworks and agreements for all regeneration projects. Robust business cases, project and programme plans with detailed risk registers, 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	3	5	15	*	C - Inclusive Economy - working for a prosperous, inclusive economy - helping businesses to thrive and creating jobs and opportunities for all. D - Safe and Vibrant Communities -Working for safe and pleasant communities where our residents feel safe, and are proud to live and raise their families	Consideration as to whether to turn into an opportunity and scored accordingly. July 2022 Risk description amended.
Page 54/22	Inflation / Cost of Living Pressures Increases in inflation and cost of living may have an adverse impact for the council and its residents including, but not limited to: • Residents - unable to afford bills for (housing / food / fuel) leading to increased demand for council services, hardship funding, mental health, employment advice, homelessness, public health services, potential impact on children in vulnerable families • Extra demand may reduce the capacity on existing council services and staff and we may have to prioritise, risk also of own staff may suffer sickness through stress with increased workloads • Cost of contracts increasing putting pressure on council budgets and/or may mean that suppliers go under leaving the council without a service • Business growth and survival - recruitment, supply chain issues, reduced consumer spending power and additional post pandemic recovery burdens - increased unemployment, reduced business survival rates, reduced business growth, inability to deliver aims of Economic Strategy, reduced business rate growth • Impact of loss of income in leisure and cultural activities in the council creating a budget pressure	Director of Resources	• £3m funding extension to the Government's Household Support Fund, targeted at the borough's most vulnerable residents, with a third ring-fenced to support families with children, and a further third allocated to help pensioners (age 65+) • Local welfare assistance fund and a council tax hardship fund, government have provided £150 to every household band A – D and we have an additional discretionary scheme • Children's Services hardship budgets for children in need and children in care • Income reserve established specifically for reduced income in leisure at the start of the year of £0.5m (but before CoLC hit, so may not be enough) • Modelling/budget discussions with P&R – provided information to all the committees as part of the budget workshops on this • Established Cost of Living Action Group chaired by Chief Exec • Support for staff welfare? • Role of procurement & contract management? • LCR Finance Directors question to Govt re: settlement figures and cost of living - confirmation of 2 year settlement proposal • Extraordinary P&R Committee Sept 2022 - reviewing existing help and support being provided by the council and exploring what further assistance can be provided • Effective mobilisation and delivery of any available Government support interventions; targeted support through commissioned LA and LCRCA Business Support Services.	4	5	20	4	5	20	*	A - Active and Healthy Lives - working to provide happy, active and healthy lives for all, with the right care, at the right time to enable residents to live longer and healthier lives. B - Brighter Futures - working together for brighter futures for our children, young people and their families by breaking the cycle of poor outcomes for all regardless of their background	September Addition of business element/impacts - to link to risk in Directorate Risk Register.
23	Opportunity - Public Service Reform - Public sector assets and estate; opportunities for service alignment; co-location					0			0	*	E - Sustainable Environment - working towards a clean-energy, sustainable borough that leads the way in its response to the climate B - Brighter Futures - working together for brighter futures for our children, young people and their families by breaking the cycle of	New Risk - additional detail on controls, actions and scores to be agreed.
24	Opportunity - Reset of what a council is - improve/change public perception					0			0	*		



AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 26 October 2022

REPORT TITLE:	DRAFT STATEMENT OF ACCOUNTS UPDATE, DRAFT ANNUAL GOVERNANCE STATEMENT AND FINANCIAL MANAGEMENT CODE ASSESSMENT FOR 2021/22
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

This report brings the draft unaudited Statement of Accounts, Financial Management Code assessment, an update on changes to the accounts and the draft Annual Governance Statement for 2021/22 to the Audit and Risk Management Committee.

The Statement of Accounts sets out the Council's financial position as at the 31 March 2022, along with a summary of its income and expenditure for the year ended 31 March 2022. The draft unaudited Accounts and Annual Governance Statement were published on the Council's website within the statutory deadline of 31 July 2022.

This report provides background information on the reasons why the Council prepares annual Accounts, the draft Annual Governance Statement (AGS) and the introduction to a new requirement The Financial Management Code.

The report also provides commentary on:

- the main Statements contained within the Accounts;
- the public inspection period currently underway;
- arrangements being made to implement an external audit of the full Accounts by the Council's appointed audit;
- Annual Governance Statement and an update on the key governance issues; assessment of the Council position against the Financial Management Code

The AGS should reflect key governance issues up to the date of the approval of the annual statement of accounts, and therefore a final version will be reported to the Committee in January 2023 for approval along with the final version of the Council's financial statements.

The Council has a responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control. The AGS reports the outcome of the annual review.

This matter affects all Wards within the Borough. The report is not a key decision at this stage.

RECOMMENDATIONS

1. Audit and Risk Management Committee is recommended to note the draft, unaudited Statement of Accounts for 2021/22.
2. Audit and Risk Management Committee is recommended to note the Finance Management Code for 2021/22.
3. Audit and Risk Management Committee is recommended to note and approve the draft Annual Governance Statement for 2021/22, including the actions planned in 2022/23 to address the two significant governance issues identified from this year's annual governance review.
4. Note the changes to the draft Accounts as set out in appendix 5.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATIONS

- 1.1 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 2022. 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.
- 1.2 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2015. The Council has previously approved and adopted a Code of Corporate Governance that complies with the principles of the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) Framework Delivering Good Governance in Local Government. The Council reports publicly through the AGS the extent to which the governance processes outlined in the Code are operating effectively in practice.

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 November for year 2021/22 and then subsequent years to 2027/28 by 30 September. There are no other options available as non-compliance would be in breach of the Accounts and Audit Regulations and a notice of delay would be required.
- 2.2 This is not applicable for The Annual Governance Statement as it is a statutory requirement.

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 2021/22 ("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 2022. This report is intended to update Members on the draft, unaudited Accounts that have been made available for public inspection and external audit.

The Financial Management Code

- 3.4 The CIPFA Financial Management Code (FM Code) was published in 2019 to provide guidance, standards, and principles for good and sustainable financial management in local authorities. The FM Code assists Councils in evidencing their financial sustainability through a framework. 2021/22 is the first full year of compliance with the FM Code and this adherence to the FM Code will support the Councils strategic and financial direction of travel. This also supports good practice in financial management and to assist the Council in demonstrating its financial sustainability by complying with the seven standards and six principles. As part of the Medium-Term Financial Strategy (MTFS) we have to ensure we are complying with the FM Code, and this was first introduced into the Councils MTFS in 2021.
- 3.5 The FM Code does not describe the financial management process Councils should adopt, but requires Councils to demonstrate how they satisfy the principles of good financial management and is proportionate to the risks to the Council’s financial sustainability considering the pressures of scarce resources and rising demands on services, by introducing a framework of assurance.

Revised Publication Timetable for 2021/22 Statement of Accounts

- 3.6 Under amended legislation, Accounts and Audit (Amendment) Regulations 2022, 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 November 2022.

Publication of the Draft Unaudited Accounts

- 3.7 The draft accounts were completed in line with the deadline of the 31 July and were published on the Council’s website on the 29 July 2022, along with the Annual Governance Statement, both are appended to this report, 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

- 3.8 To assist understanding the main statements and notes contained in the draft accounts narrative is included in Appendix 4 for the following.
- Narrative Report
 - Movement in Reserves Statement (MiRS)
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet

- Cash Flow Statement
- Notes to the Core Financial Statements
- Collection Fund Statement
- Glossary
- Merseyside Pension Fund Accounts

- 3.9 Appendix 5 of this report provides a summary of the Comprehensive Income and Expenditure Statement (CIES), the Balance Sheet and changes to the accounts since publication of the draft accounts prior to the commencement of the external audit.
- 3.10 The deficit reported in the Comprehensive Income and Expenditure and Movement in Reserves Statement(s) of £28.123m differs from the balanced outturn position previously reported to Policy and Resources Committee on the 8 June 2022. 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 2020/21 and it is not unusual to show a significant difference compared to the outturn position as they are prepared on different bases. The outturn position reported to Policy and Resources Committee is unchanged.

Financial Management Code

- 3.11 The Council has been assessing and monitoring against the FM Code and will continue to do so going forward in conjunction with the Senior Leadership Team and members to ensure compliance. In doing this the Director of Resources as Section 151 Officer, will be supported to achieve a 'Good' rating for financial management. Appendix 3 provides the latest self-assessment and monitoring against the principles and standards, which sets out the current position of the Council and demonstrates compliance with the Code. Officers will continually be working towards improvements, and this will be supported through strategic decisions on our financial sustainability and resilience of the finances and governance of the Council. There is a continuous assessment of the Council against these requirements, and it is recommended that these are reported back to the Committee as a minimum annually as part of the Statement of Accounts.

Annual Governance Statement

- 3.12 The Audit and Risk Management Committee is charged by full Council to consider the Annual Governance Statement, and be satisfied that this statement is comprehensive, properly reflects the risk and internal control environment including the system of internal audit, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, and includes an agreed action plan for improvements where necessary.
- 3.13 The AGS has, as in previous years, been prepared in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government 2016

Framework and Guidance. The Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulation and ensuring the effective exercise of its functions.

- 3.14 The draft AGS reports the outcome of the annual review of the effectiveness of its governance framework. Key elements of the review included:
- Completion of Governance Assurance Statements by each of the Council's Senior Leadership Team (SLT), with additional returns by the S151 and Senior Information Risk Owner (SIRO) Officers for their formal roles.
 - Individual discussions with each member of the 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.
 - Updates from Directors in respect of actions taken for the Significant Governance Issues (SGIs) included in last year's AGS and actions planned in 2022/23 for SGIs identified in this year's annual review.
 - Review of Internal Audit work completed in the year.
 - Consideration of any significant internal or external reviews of governance – this has included reflecting the outcomes from the Department for Levelling Up, Housing and Communities (DLUHC) assurance reviews, Corporate Peer Challenge, Independent Panel and External Audit annual report.
- 3.15 The Annual Governance Statement 2021/22 covers the period from 1 April 2021 to 31 March 2022 and therefore any significant governance issues identified are those which have occurred during this period. It is also required to take into consideration any key issues that impact on the governance of the Council up to the date of the approval of the annual statement of accounts.
- 3.16 The main content of the AGS includes:
- For each of the seven principles of the CIPFA / SOLACE framework for good governance, an assessment of the effectiveness of the key elements of the Council's Governance processes during 2021/22.
 - A summary of the significant action taken during 2021/22 in respect of the three Significant Governance Issues identified in last year's AGS.
 - A summary of the actions planned in 2022/23 to address the two Significant Governance Issues identified from this year's annual governance review.
- 3.17 The Audit and Risk Management Committee and Corporate Governance Group will receive updates during 2022/23 on progress being made to address the Significant Governance Issues included in this year's report.

Public Inspection Period

- 3.18 The public inspection of the accounts began on the 1 August 2022. Members of the public and other interested parties had thirty working days (until 12 September 2022) to request access to documents relating to the financial statements for 2021/22 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, and is available on the following link:

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

Arrangements for External Audit

- 3.19 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.
- 3.20 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).
- 3.21 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.
- 3.22 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 30th November 2022, however, 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.
- 4.2 Compliance with the Financial Management Code will contribute to sound decision making. This will support the Medium-Term Financial Strategy, enabling Members to monitor progress against the Wirral Plan 2026 in a timely manner to ensure resources are allocated in line with strategic priorities.
- 4.3 The Council's governance framework includes several financial elements, including the financial regulations, the budget strategy, and the treasury management strategy. These are linked to a number of the core principles providing parameters, systems, processes and guidelines within which the Council must operate and therefore assist in the delivery of good governance.

5.0 LEGAL IMPLICATIONS

- 5.1 None arising directly from this report for the Statement of Accounts.

5.2 The Audit and Account (England) Regulations 2015 (Regulation 6) requires that the Council undertakes an annual review of the effectiveness of its internal control systems and prepare an Annual Governance Statement. The Annual Governance Statement must be approved along with the annual statement of account. The preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE Framework fulfils the statutory requirements under the Regulations.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.2 None arising directly from this report, however any implications identified in the production of the AGS and the follow-up of actions identified will be reported to the Council's SLT and the appropriate committee to identify the appropriate action that will be taken.

7.0 RELEVANT RISKS

7.1 None arising directly from this report. Potential failure of the Council to comply with the statutory requirement set out in the Accounts and Audit (England) Regulations 2015.

8.0 ENGAGEMENT/CONSULTATION

8.1 The draft unaudited Statement of Accounts for 2021/22 were out for public inspection and currently subject to external audit.

8.2 The draft AGS has been considered by the Senior Leadership Team and signed by the Chief Executive and Council Leader. The draft AGS was published on the Council website by 31 July 2022 deadline

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. The files attached may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact Diane Grisdale if you would like this document in an accessible format.

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.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendations contained within this report have no direct implications for community wealth.

REPORT AUTHOR: Diane Grisdale
 Senior Finance Manager
 email: dianegrisdale@wirral.gov.uk

APPENDICES

- Appendix 1 – Wirral Council Draft Statement of Accounts 2021/22
- Appendix 2 – Draft Annual Governance Statement 2021/22
- Appendix 3 – Financial Management Code Assessment 2021/22
- Appendix 4 – Glossary of Terms
- Appendix 5 – Summary Statements and changes to accounts

BACKGROUND PAPERS

Statement of Accounts and Financial Management Code

- 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.
- CIPFA Code of Practice 2021/22
- CIPFA Financial Management Code 2019

Annual Governance Statement

- CIPFA / SOLACE Framework Delivering Good Governance in Local Government
- Guidance – CIPFA Bulletin 06 – Application of the Good Governance Framework 2020/21
- Meeting the Principles of Good Governance – The Impact Of The Covid-19 Pandemic
- Briefing from the CIPFA Better Governance Forum

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee – Statement of Accounts for 2020/21 for Wirral Council & Merseyside PF	24 January 2022
Audit & Risk Management Committee – Statement of Accounts for 2019/20 for Wirral Council & Merseyside PF	11 January 2021
Audit & Risk Management Committee Annual Governance Statement	5 July 2021
Audit & Risk Management Committee Annual Governance Statement	21 September 2020
Audit & Risk Management Committee – Statement of Accounts for 2018/19 for Wirral Council & Merseyside PF	23 September 2019

This page is intentionally left blank

Wirral Council Draft Statement of Accounts 2021/22

Contents	
Narrative Report.....	4
Statement of Responsibilities for the Statement of Accounts.....	35
Independent Auditor’s Report	36
Movement in Reserves Statement.....	38
Comprehensive Income and Expenditure Statement	40
Balance Sheet	41
Cash Flow Statement.....	42
Note 1 - Accounting Policies.....	44
Note 2 - Accounting Standards Issued, Not Adopted	63
Note 3 - Critical Judgements in Applying Accounting Policies	64
Note 4 - Assumptions made about future and other major sources of estimation uncertainty.....	66
Note 5 - Material Items of Income and Expense.....	68
Note 6 - Events After the Balance Sheet Date	68
Note 7 - Expenditure and Funding Analysis	69
Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations	72
Note 9 - Transfers to/from Earmarked Reserves	74
Note 10 - Other Operating Expenditure.....	78
Note 11 - Financing and Investment Income and Expenditure	79
Note 12 - Taxation and Non-Specific Grant Income.....	79
Note 13 - Expenditure and Income Analysed by Nature.....	80
Note 14 - Property, Plant and Equipment.....	82
Note 15 - Heritage Assets.....	84
Note 16 - Investment Properties.....	87
Note 17 - Intangible Assets	89
Note 18 - Financial Instruments	90
Note 18a - Financial Instruments – Fair Value	95
Note 19 - Debtors	99
Note 20 - Debtors for Local Taxation	99
Note 21 - Cash and Cash Equivalents	100
Note 22 – Creditors	100
Note 23 - Provisions	101
Note 24 - Usable Reserves.....	103
Note 25 - Unusable Reserves	104
Note 26 - Cash Flow Statement: Operating Activities.....	110
Note 27 - Cash Flow Statement: Investing Activities	111
Note 28 - Cash Flow Statement: Financing Activities.....	111
Note 29 - Reconciliation of Liabilities Arising from Financing Activities	112
Note 30 - Agency Services	112
Note 31 - Pooled Budgets.....	113
Note 32 - Members’ Allowances	114
Note 33 – Officers’ Remuneration	115
Note 34 - External Audit Costs	117
Note 35 - Dedicated Schools Grant	118
Note 36 - Grant Income.....	119
Note 37 - Related Parties	123
Note 38 - Capital Expenditure and Capital Financing.....	128
Note 39 - Leases	129

Note 40 - Service Concession Arrangements	131
Note 41 - Pension Schemes Accounted for as Defined Contribution Schemes	134
Note 42 - Defined Benefit Pension Scheme	135
Note 43 - Trust Funds	144
Note 44 - Contingent Liabilities	144
Note 45 - Nature and Extent of Risks Arising from Financial Instruments	144
Note 46 - Restatement of 2020/21	148
Collection Fund Statement.....	150
Glossary	154
Merseyside Pension Fund	159
Independent Auditor’s Report	160

Narrative Report

The Statement of Accounts sets out the financial performance of the Council for the 2021/22 financial year and shows the year-end financial position at 31 March 2022. 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 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 2021/22
4. Key outcomes
5. Summary of financial performance for 2021/22
6. Going Concern
7. About the Statement of Accounts
8. 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.

The latest Census held in 2021 shows that the population of Wirral is 320,200, with a higher proportion of older (65+) people compared to England (22.0% compared to 18.4% in England), and a lower proportion of working age (15-64) people (61.1% compared to 64.2% in England). The latest population projections by the Office for National Statistics (ONS) show that the population in Wirral is estimated to increase by 4.1% to 336,300 between 2018 and 2043. Although a small increase, this hides large variations when looking at smaller age groups, with the population of children and young people (0-14) decreasing by 8.2%, while the population of older people (90+) is projected to increase by 96.3%.

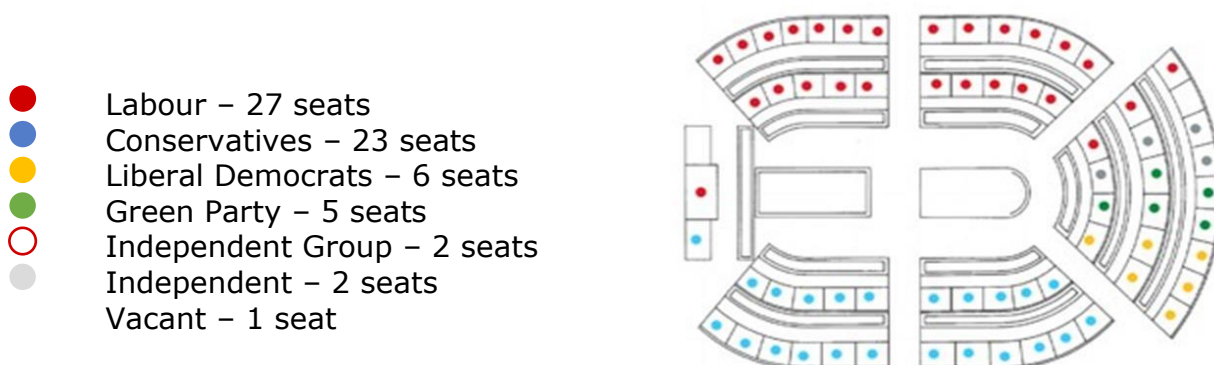


This increase in the elderly population, has implications for statutory services, given that older people are the largest users of health and social care services.

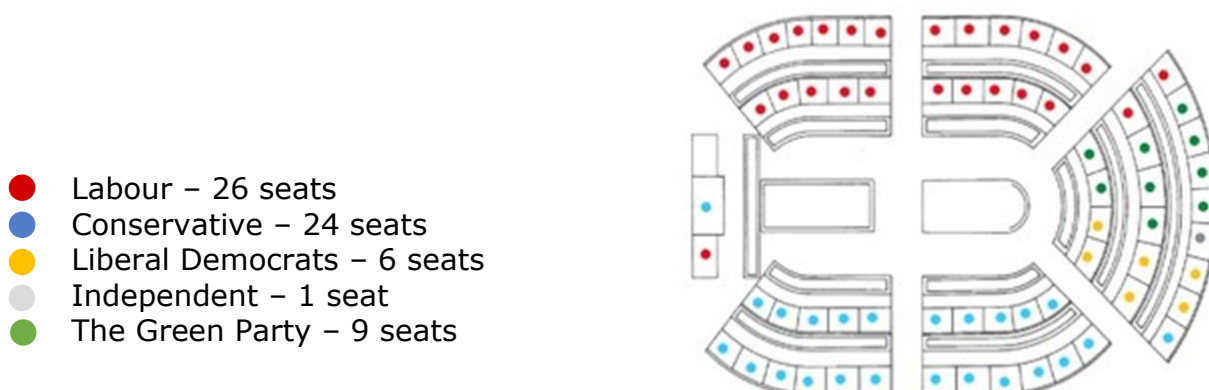
There is a large variation in the life expectancy in different parts of Wirral, ranging from 70 years in Birkenhead and Tranmere to 83 years in Greasby, Frankby and Irby for men in 2018-20, and 75 years in Birkenhead and Tranmere to 87 years in Greasby, Frankby and Irby for women in 2018-20. Healthy Life Expectancy data indicates that males and females in Wirral spend slightly over three quarters of their life in good health which, for males, is lower than the national average, but for females is higher. The Black and Minority Ethnic (BAME) population of Wirral accounts for 3% of the Wirral population while there are an estimated 8,500 – 9,000 people in Wirral who identify as Lesbian, Gay, and Bisexual (LGB).

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. As at the 31st March 2022 there was one vacant Councillor position for Leasowe and Moreton East Ward. The political composition of the Council at the end of 2021/22 was:



Local elections were held on 5th May 2022, with the Green Party gaining 4 seats (including 1 Independent Councillor that joined them), the Conservative Party gaining 1 seat, the Labour Party lost 1 seat and the Independent Group lost both existing Councillors, leaving 1 Independent Councillor and no party group. The revised political composition is as follows:



A by-election for Liscard Ward was held on 14 July 2022, with Labour retaining the seat. The political composition of the Council remains the same as after the Local Elections held on 5 May 2022.

[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 went through a number of important changes during 2020/21 that continued in 2021/22 to ensuring the decision-making and the structure of the Council is aligned to the delivery of its services and to the Wirral Plan.

The structure that was in place during 2021/22 is further detailed below, with summary information on the services and operations undertaken by each Directorate provided.

The Chief Executive of Wirral Council is Paul Satoor.
The Assistant Chief Executive is David Armstrong.

[Chief Executive's Office](#)

The Director responsible for the Chief Executive's Office is Nicola Butterworth

The function includes:
Communications, Strategy, Policy, and Partnerships, Customer Feedback and Members Enquires, Quality and Organisational Effectiveness.

[Resources:](#)

The Director for Resources (Section 151 Officer) is Shaer Halewood

The function includes:
Strategic Change, Digital and ICT, HR/OD, Finance and Investment including Procurement and Accounts Payable, Internal Audit, Risk and Business Continuity, Revenues and Benefits including Accounts Receivable and the Merseyside Pension Fund hosting function.

[Law and Governance:](#)

The Director for Law and Governance (Monitoring Officer) is Philip McCourt.

The function includes:
Legal Services, Licensing, Registrars, Committee Services, Electoral, Coroners Civic Services.

[Neighbourhood Services:](#)

The Director of Neighbourhood Services is Nicola Butterworth.

The function includes:
Highways, Traffic and Road Safety, Street Scene, Highways Design and Maintenance, Network Management, Traffic Management, Road Safety, Community Safety, Emergency

Planning Assisted Travel, Major Events, Leisure, Libraries, Parks and Countryside, Trading Standards, Environmental Health, Waste and Environment, Climate change.

Regeneration and Place:

The Director for Regeneration and Place is Alan Evans.

The function includes:

Major Planning and projects including Wirral Growth Company, Regeneration, Inward investment, Strategic Transport, Assets and Facilities Management, Housing, Supported housing and homelessness services, Development Management and Building Control, Culture strategy and Visitor Economy.

Adult Care and Health and Strategic Commissioning:

The Director for Adults' Care and Health is Graham Hodgkinson.

The function includes:

Commissioning Older People and Mental Health and Disability Services, Care standards, Strategic Commissioning, Public Health, Wirral Intelligence Service.

Children, Families and Education:

The Director of Children, Families and Education is Simone White.

The function includes:

Assessment and Intervention, Permanence, Fostering, Adoption and Placement Commissioning, Safeguarding, Quality Assurance and Practice Improvement, Early Childhood Services, Integrated Front Door, Multi Agency Safeguarding Hub, Safeguarding, Youth Service, Schools Improvement, Education and Lifelong Learning, Special Education Needs and Disabilities and Inclusion, Performance Improvement Modernisation, Business Support.

2. Strategic Priorities

Wirral Plan 2021-26

The Wirral Plan 2021-26 was approved by Council on 6 September 2021 and was adopted part way through the year, reflecting the Council's re-set from the emergency management arrangements in response to the pandemic and to resumption of normal business delivery during 2021/22. As the Council moves to a four yearly cycle of elections in 2023, there is an opportunity to re-set the Wirral Plan as a four-year plan for the full term of the new administration. This work will be conducted during 2022/23 to enable a new 2023/27 plan to be adopted from Autumn 2023.

The Wirral Plan sets out the vision for the borough: 'To create equity for people and place and opportunities for all to secure the best possible future for our residents, communities and businesses'. The Plan is built around the following five strategic priorities for the Council and its partners:

- Sustainable Environment
- Brighter Futures
- Inclusive Economy
- Safe and Pleasant Communities
- Active and Healthy Lives.



The Vision

Our vision is to create equity for people and place and opportunities for all to secure the best possible future for our residents, communities and businesses. The vision has been developed to build on five thematic priorities that focus on improving outcomes for whole population groups.

Sustainable Environment
Working towards a clean-energy, <i>sustainable borough</i> that leads the way in its response to the climate emergency and is environmentally friendly.
Brighter Futures
Working together for <i>brighter futures</i> for our children, young people and their families by breaking the cycle of poor outcomes for all regardless of their background.
Inclusive Economy
Working for a prosperous, <i>inclusive economy</i> - helping businesses to thrive and creating jobs and opportunities for all.
Safe and Pleasant Communities
Working for <i>safe and pleasant communities</i> where our residents feel safe, and are proud to live and raise their families.
Active and Healthy Lives
Working to provide happy, <i>active and healthy lives</i> for all, with the right care, at the right time to enable residents to live longer and healthier lives.

For 2022/23, there are specific priorities the Council will focus on to help achieve the Wirral Plan vision. These are summarised below and will be worked up through more detailed delivery plans through our committee work programmes.

Wirral Plan 2022 – 2023 Plan on a Page				
VISION: To create equity for people and place and opportunities for all to secure the best possible future for our residents, communities, and businesses.				
Inclusive Economy	Active & Healthy Lives	Brighter Futures	Sustainable Environment	Safe & Vibrant Communities
Aims				
<ul style="list-style-type: none"> • Deliver regeneration, transport, and growth ambitions • Deliver Local Plan • Create community wealth/social value. • Create jobs and support local businesses • Develop quality, affordable, and sustainable homes • Prevent and relieve homelessness 	<ul style="list-style-type: none"> • Work with partner agencies to improve mental wellbeing • Encourage active living • Support people to live independently • Deliver the public health services and actions to improve wider determinants of health • Tackle health inequalities 	<ul style="list-style-type: none"> • Break the cycle of poor outcome • Reduce educational attainment inequalities • Raise the aspirations of all children and young people 	<ul style="list-style-type: none"> • Respond to the climate change emergency • Protect our cherished local environment • Improve street cleanliness • Support active travel networks 	<ul style="list-style-type: none"> • Work with partner agencies to reduce crime and tackle Anti-social behaviour • Tackle rough sleeping and homelessness • Deliver everyday neighbourhood services to the best possible standard
2022/23 Deliverables				
<ul style="list-style-type: none"> • Submit Local Plan for examination • Continue the delivery of the Birkenhead 2040 Strategy • Continue to work with Peel to deliver the Wirral Waters Regeneration area • Continue to implement the regeneration of New Ferry • Continue to improve the quality off Wirral's Housing offer • Refresh Wirral asset management strategy 	<ul style="list-style-type: none"> • Health Protection and living with Covid • Development of Wirral Health Protection Service • Mental Health and Wellbeing transformation programme • Healthy Wirral Key Improvement Programme • Health & Wellbeing Strategy • Rollout the Digital Telecare System • New Adult Social Care Model • Develop a partnership approach to the cost-of-living crisis 	<ul style="list-style-type: none"> • Support the 'Breaking the Cycle' prevention programme • Deliver the Wirral School Improvement Strategy • Deliver the SEND Transformation Programme • Deliver an improved Healthy Child Programme 	<ul style="list-style-type: none"> • Re-establish the Council's Carbon Budget and reporting • Annually review the Council's Environment & Climate Emergency Policy and Action Plan • Coordinate the Climate Emergency Action Group • Invest in the tree planning programme and plant 21,000 trees per year for 10 years 	<ul style="list-style-type: none"> • Deliver the Wirral Community Safety Strategy 2021 – 2026 • Review and restructure the Neighbourhood Engagement Team • Deliver the Building Resilient Communities programme • Implementation of Active Travel Schemes in Partnership with the Liverpool City Region

To help us achieve our vision and aims, there are a number of key plans and strategies that will inform how we deliver the Wirral Plan priorities. These are set out below:

Wirral Strategic Delivery Framework				
Cross-Cutting Strategies to Support the Wirral Plan				
Local Plan 2035	Health and Wellbeing Strategy	Prevention Framework	Neighbourhoods Working	
Climate Emergency Action Plan	Stronger Economy Plan	Community Safety Strategy	Healthy Wirral Plan	
Key Underpinning Strategies linked to Wirral Plan Themes				
Inclusive Economy	Active & Healthy Lives	Brighter Futures	Sustainable Environment	Safe & Vibrant Communities
Strategic Regeneration Framework Birkenhead 2040 Community Wealth Building Strategy	Leisure & Physical Activity Strategy	Schools Sufficiency & Assets Schools Improvement Strategy SEND Strategy Apprenticeship Strategy	Cool Wirral 2 Highways Infrastructure & Assets Management Strategy Tree Strategy	Community Safety Strategy Domestic Abuse Strategy Libraries Strategy

The Improvement Plan

Wirral Council applied to the government for exceptional financial support in 2020/21 due to financial pressures that were exacerbated by the Covid 19 pandemic, and the application was approved. A further request for support in 2021/22 was granted in principle subject to the outcome of an external assurance review. The review, conducted in summer 2021, focused on the Council’s governance arrangements and financial position. The two resulting reports, produced by Ada Burns and CIPFA, were published on 2 November 2021 along with a ministerial letter inviting the Council to set out how it planned to respond to the recommendations in the two reports.

At its meeting on 30 November 2021, the Policy and Resources Committee accepted the contents of the external assurance review reports. Since then, officers and Members have undertaken significant work to respond to the recommendations in both reports to demonstrate the Council’s commitment to improvement and comply with the conditions of the government’s exceptional financial support (capitalisation directive). The Council was granted approval for the 2021/22 offer of exceptional financial support in May 2022 and the Policy and Resources Committee formally accepted this, along with specific conditions at its meeting on 8 June 2022.

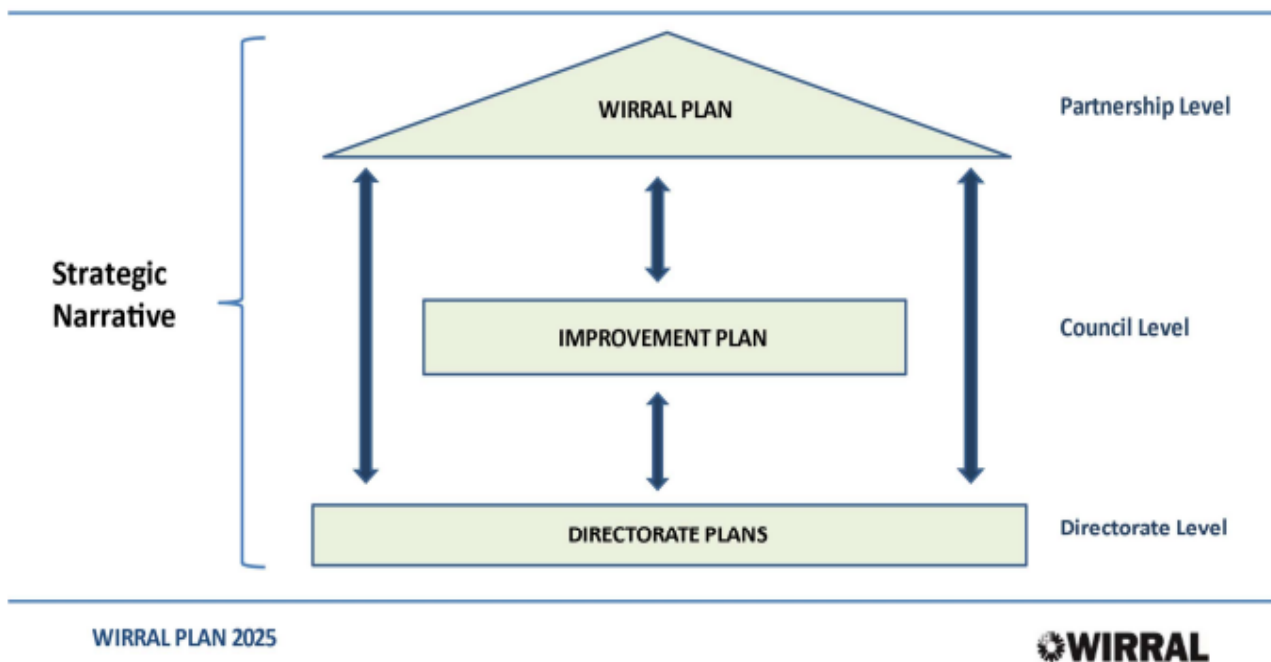
An Independent Assurance Panel was appointed by the Chief Executive in December 2021. The Panel is made up of external professionals with expertise in local government finance, law, governance and assets. The Panel meets monthly and operates in an advisory capacity, providing support and guidance to the Council. It also provides assurance to the Department for Levelling Up, Housing and Communities (DLUHC), with formal reporting twice a year on the progress the Council is making in response to the

recommendations from the external assurance review. The Panel will have a key role overseeing the Council’s delivery of the Improvement Plan to ensure the desired outcomes are achieved to the timelines specified. The first report of the panel was presented to the Policy and Resources Committee at its meeting on 8 June 2022 and was approved by full Council later that month.

The Improvement Plan sets out the vision for the organisation we are seeking to create to deliver the outcomes set out in the Wirral Plan to best meet the needs of local residents. The plan details how we will secure the Council’s financial stability and how we will develop an effective organisation with a clear sense of priorities backed up by strong leadership and good governance. It provides a framework and schedule for systematically re-designing our services to ensure they are fit for purpose, deliver value for money and secure the best outcomes for Wirral residents.

The Plan also sets out how we will harness the support of all partners to work collectively around a neighbourhood model of delivery that tailor’s interventions to best meet local need and maximise investment through joint planning and commissioning. The Improvement Plan will be realised through the Council’s Strategic Change and Improvement Programme which will provide a strong control environment, with clear governance and the required resourcing through the Corporate Programme Management Office. This will ensure the Plan is delivered to the required timeframe and quality requirements.

PLAN HIERARCHY



Partnerships

Partnerships have a unique strategic role in shaping Wirral as a place, and Wirral has a strong track record of excellent collaboration and partnership working. Since the adoption of the Wirral Plan, the Council has been leading discussions with Partners about future joint priorities and how we can work together to deliver the Wirral Plan as our collective

vision for the Borough. There is a strong appetite across the public, private and voluntary sectors for a shared strategic plan and partnership that supports collective ambitions, acknowledging that we can only achieve our goals by working together. Wirral is a borough of contrasts, of incredible community spirit and strong local partnerships.

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. Following a recent review of the Council's priorities a decision has been made to continue with the current developments through the Wirral Growth Company but bring the remaining projects back into the Council with further third party stakeholders to be brought on board to deliver the remaining programme.

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 2022/23 and beyond is to deliver the Wirral Plan 2026, through reducing costs of council services by only providing services that generate the most beneficial outcomes; generating income to bridge the gap between resources; managing the changes to government funding and increasing demand, whilst delivering services that are vital to residents in an efficient manner as possible.

In February 2022, the Council approved a budget for 2022/23 together with an indicative budget for the following four years. At the time the budget was approved the Council estimated a budget gap of £71.64 over the period to 2026/27, although this assumes a series of savings are agreed, ranging from (£18.29m) in 2022/23 to (£4.62m) in 2026/27.

3. Main influences on the Council and accounts in 2021/22

There have been several developments in 2021/22 that have impacted on the Council during the year, some of these have influenced the presentation of the 2021/22 Accounts and the reported financial position of the Council. Below are some of the key events.

- Government funding
- Ofsted inspection
- Spending and recruitment freeze
- Covid-19 pandemic
- Birkenhead 2040 Framework
- Wirral Waters' Hythe
- Wirral Waters residential scheme known as the Miller's Quay
- New Development in Birkenhead Town Centre
- New Ferry
- Draft Local Plan
- Better Care Fund
- Integrated Care System for Wirral
- Changes in pension estimates

Government funding

On 17th December 2021, 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.

In February 2021, the Department for Levelling Up, Housing and Community confirmed that the Secretary of State was minded to approve a capitalisation direction of a total not exceeding £10.7m for 2021/22. This was subject to the consideration of a number of factors, including providing the Department with evidence of a plan to address the recommendations outlined in an External Assurance Review commissioned by the Department. The review was published on 2 November 2021. A draft plan was provided addressing the recommendations, and the feedback given from the Department, was that the Council has made positive progress implementing 13 recommendations set out in the review. On 17 February 2022, Wirral officers wrote to the Department to confirm that they were reducing the request for a capitalisation direction in 2021/22, from £10.7 million to £6.36m.

The main reasons for this reduction was additional grant support provided by Government, and Council underspends over the course of the financial year 2021/22. Ministers fully considered the Council's updated capitalisation and have approved a total capitalisation direction to fund revenue expenditure not exceeding £6.36m, subject to conditions. The final position following the closure of the 2021/22 accounts, subject to External Audit is a drawdown of the capitalisation direction of £5.846m.

The economic uncertainty resulting from the impact of the Covid-19 pandemic, the new way of operating post Covid and raising inflation such as energy costs, will continue to increase pressure on the sustainability of services as further costs are reduced. The

Council continues to develop proposals that deliver services in line with priorities and key objectives, included in which is supporting the most vulnerable members of our local community, within the constraints of limited financial resources.

The Department for Levelling Up, Housing and Communities (DLUHC) assurance reviews published during the year identified some significant risks to the Council regarding its ability to balance its budget over the period of the Medium Term Financial Strategy (MTFS). During 2021/22 the Council was reliant on exceptional financial support (Capitalisation Directive) to achieve a year-end balanced position although the support required did reduce to £5.8m from an initial anticipated value of £10.7m. External reviews subsequent to the DHLUC Assurance reports, including Local Government Association Corporate Peer Challenge (CPC) and Independent Panel, have highlighted that there is an improving recognition of the Council's financial context and the Council had an improved grip on its finances. For 2022/23 the Council set a balanced budget without the use of reserves.

Challenges remain however and this is acknowledged in the Council's Annual Governance Statement for 2021/22 along with a recognition that progress needs be maintained. The Council faces challenging savings and efficiencies targets for 2022/23 and an ambitious capital programme provides increased revenue pressure in future years. The CPC recognised that there is a need for the management of the budget to be a shared priority and to ensure that there is total commitment and prioritisation to deliver the agreed budget proposals.

The Council's Financial Recovery Plan, reported under Financial Sustainability in the Council's wider Improvement Action Plan, includes a series of actions the Council has either taken, is in the process of implementing or plans to implement in 2022 and beyond in the areas of strengthening medium term financial planning. Implementing robust planning and monitoring of savings, increasing reserves, improving financial governance and oversight, and the management of capital and assets. It is essential that progress in this area continues at pace.

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 2016.

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 in 2020/21 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 commenced its inspection activities in June 2021. During September 2021 Ofsted and the Care Quality Commission (CQC) conducted a joint inspection of the local area of Wirral to judge the effectiveness of the area in implementing the special educational needs and/or disabilities (SEND) reforms, as set out in the Children and Families Act 2014. The inspection identified a number priority actions. As a result, a statement of action has been produced and has been agreed by Ofsted and CQC. Progress on the Statement is being monitored monthly by the DfE.

A focused visit to Wirral children's services took place in January 2022, which looked at the local authority's arrangements for planning and achieving permanence, with a particular focus on children at home on placement with parent regulations, children living with connected carers, and special guardianship orders. Improvements have been achieved but further work is required to ensure that assessment and permanence planning is consistent for all children.

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 on non-essential spending and a more rigorous position on recruitment to tackle the budget gap. These restrictions on recruitment have continued through 2020/21 to 2022/23.

Covid-19 Pandemic

The Council during 2021/22 supported residents through the easing out of lockdown and now attentions have turned towards the economic recovery from the pandemic. This, as well as the health and mental health recovery and backlogs at Wirral University Hospital Trust, 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.

More than 70 community groups from across Wirral received funding to help them re-open their buildings and safely welcome back members and customers. Almost £250,000 was awarded to the groups from Wirral Council's 'Social Sector Setting Road to Recovery Fund', which is part of the authority's Covid Winter Grant Fund from the Department for Work and Pensions. A wide range of community buildings have benefited from the awards - including sports clubs, church halls, guides and scout huts, community centres and play groups - where the funding was used towards a range of safety measures including ventilation improvements, deep-cleaning and Personal Protective Equipment (PPE). It also allowed many of the groups to provide new and improved outdoor spaces so they can provide more of their services outside and give users extra space to socially distance in the fresh air.

The successful projects include:

- Leasowe Play Youth & Community Association
- Tomorrow's Women Wirral
- Number 7 Café and Social Supermarket
- Ferries Family Groups
- Age UK Wirral
- Royal Airforce Association

- Byrne Avenue Trust
- Wirral Change
- Rock Ferry Salvation Army
- Wirral Youth Zone
- 8th Bebington (Brackenwood) Scout Group
- Eastham Community Centre
- Irby Cricket Club

In September 2021 a new project in Wirral delivered a huge 112 pallet-loads of food to local schools in an effort to help families in need through the first few weeks of the new school year. Known as the 'Welcome Back to School Food Support Project', special 'pantries' were set up in 40 local schools, allowing them to put together free food packs containing a range of essential items for the children to take home. The £123,750 'Welcome Back' project was co-ordinated on behalf of the council by local charity Neo Community and was part of Wirral's £1.153 million summer food support programme which was made possible by a Covid Local Support Grant from the Department for Work and Pensions.



Birkenhead 2040 Framework

Following the borough's successful Town Deal bid, which brought in £25m of Government funding for Birkenhead; ten milestone projects will help transform the town as part of the wider regeneration taking place across Wirral. This follows a major consultation asking local people and businesses what they believe is special about Birkenhead and what work could be done to enhance the area for everyone, as well as the work of the Town Deal Board who developed a vision and plan for how the funding could be used.



The Board has now agreed how the funding will be divided between the ten projects - this is in line with delivering the vision for Birkenhead as set out in the Birkenhead 2040 Framework which was recently consulted on. The 2040 Framework is a key part of the Local Plan, which is continuing to be developed, and fits in with the wider regeneration we have planned right across the borough. The projects are the Transport Visitor Attraction Future Yard, Waterfront, animation and connectivity, EXPO village, Wellbeing and Opportunity Centre, Argyle Street Creative, Sustainability Central, Start Yard, Education Engagement Network, and Egerton House. The aim is to deliver a range of projects that support business and entrepreneurship, drive economic growth and job creation as well as supporting training and the development of necessary skills.

Birkenhead was one of only 101 towns invited by the Government to apply for this funding last year. It means that more than £100m has now been secured towards major regeneration projects in Birkenhead in the last year. The £25m Town Deal funding follows £24.6m which was awarded through the Government's Future High Streets fund at the end of last year to support the transformation of the town centre, plus funding awarded by the Liverpool City Region Combined Authority to support the removal of the flyovers into the town and a further £1m for Town Deal accelerator funds to help bring forward

projects, particularly in the Argyle Street area. More recently Wirral Council was awarded £19.6m from the Government's Levelling Up Fund to transform the waterfront at Woodside.

Wirral Waters' Hythe

Wirral Waters' brand-new high-tech business hub, Birkenhead's first office development in more than a decade, was completed during 2021/22.

Hythe, Peel L&P's Grade A office building, boasts stunning panoramic views across the Wirral Waters waterfront and the Liverpool City skyline, as well as the latest digital connectivity and excellent green credentials. Hythe was designed by award winning architects Glenn

Howells to maximise the health and wellbeing of workers and to accommodate the latest innovations in digital connectivity. Located within the Four Bridges neighbourhood of Wirral Waters, Hythe sets high standards in sustainability with its BREEAM-Excellent rating, placing it in the top 10% of all buildings for its green credentials. Constructed by GMI Construction, Hythe offers over 25,000 sq ft over three floors of high quality, flexible office space for entrepreneurs and local businesses.



Throughout its construction, and in close collaboration with GMI Construction, Peel L&P has engaged with local supply chains and offered extensive learning opportunities to construction students at Wirral Met College. This has included a programme of activities to promote work experience and apprenticeships for its students. Hythe has been funded by Peel L&P, the Liverpool City Region Combined Authority, through the Local Growth Fund, and the Merseyside Pension Fund, managed by CBRE's Investment Advisory team, part of CBRE Capital Advisors. Local Growth Funding is awarded to the Liverpool City Region Local Enterprise Partnership (LEP) and invested through the Liverpool City Region Combined Authority's Strategic Investment Fund.

A PUT/CALL option is in place whereby Peel Holding and Wirral Council have an agreement to sell/acquire the Hythe Office Development for a maximum period of three years post practical completion. This option applies if at any point the value exceeds the option price of £4.98m. Where the value exceeds £4.98m the Put cannot be called upon.

Wirral Waters residential scheme to be known as Miller's Quay

A new brand and identity have been unveiled by Peel L&P for its £130m Northbank residential scheme at Wirral Waters. The development, which will comprise 500 highly sustainable and energy efficient homes, has been named Miller's Quay, rooting it firmly with the site's industrial heritage. The name refers to the historical use of the site as a flour mill and a copper-rolling mill with 'Quay' symbolising a positive change which echoes the dock's industrial past, while reclaiming the waterfront for the local community.



In January 2022, Pension Insurance Corporation plc (PIC) signed an agreement with Peel L&P to fund the cornerstone residential scheme, which is set to be the biggest single development at Wirral Waters. Then, in February 2022, construction company Graham was announced as the contractor for the scheme, with construction work to begin in spring of 2022. Miller's Quay, which has previously held the working titles of Legacy and Wirral Waters One, will include 500 one and two-bedroom waterfront apartments, including 100 affordable new homes. Rents on the affordable homes will be a maximum of 80% of open market value, delivering significant social impact. With Wirral Waters believed to be one of the largest regeneration projects in the UK, Miller's Quay has been designed with sustainability at its core. The energy and resource efficient homes have been designed to reduce water and energy consumption, prioritise natural lighting, reduce wastage and use sustainable, energy efficient heating. Miller's Quay will be surrounded by parks, green spaces, dockside walkways and cycle routes, with homes having access to cycling storage and electric vehicle charging points.

Part of the project at Miller's Quay will see the Council take 1,100 homes into its ownership from year 10 after practical completion.

New Development in Birkenhead Town Centre

Following the announcement of a £75m forward funding deal, Wirral Growth Company partners joined together in January 2022 to celebrate the start on site of two Grade A office buildings in Birkenhead town centre. Wirral Growth Company is a 50:50 joint venture partnership between Wirral Council and national urban regeneration specialists, Muse Developments, developing the new town centre office blocks.



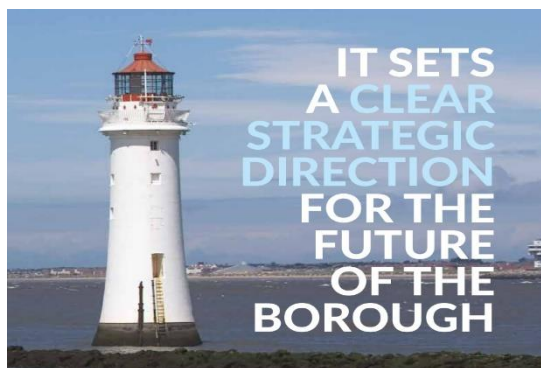
Totalling 150,000 sq ft, the BREEAM Excellent-rated office buildings have been forward funded by institutional investor Canada Life Asset Management and are due for completion in autumn 2023, with Morgan Sindall Construction named as its contractor. The two new office buildings mark a significant milestone in the transformation of Birkenhead, being the second Grade-A development in the area since the Queensgate development in 2014. They form the central hub of an exciting new business and leisure quarter being developed in the heart of Birkenhead, which will enable the borough to attract further significant investment and create more opportunities for local people.

One of the two five-storey office developments will be occupied by Wirral Council, with the other available for businesses to lease. Once complete, the office buildings will be connected by new outdoor public realm and open, adaptable spaces for occupiers, residents, and visitors to enjoy, as well as providing opportunities for events and pop-up activities stimulating the daytime and evening economy in the town centre. The Government's Future High Streets Fund is providing financial support to the new sub-station for the Town Centre to provide power, new public realm and the Conway Street Crossing. It will also be funding a new Market development moving it from where the market is currently located onto the site of the former House of Fraser department store.



Draft Local Plan

The Submission Draft Local Plan has been published and during 2022/23 there will be an opportunity for local communities, businesses and other interested stakeholders to make formal representations on the document's "soundness" and "legal compliance". This follows on from the full public consultation in 2020 where the 26,000 responses were then used to develop the final Submission Draft Local Plan document.



At the heart of Wirral's Local Plan is the regeneration of the 'LeftBank' of the River Mersey, from New Ferry through Birkenhead including the Wirral Waters dockland area, Seacombe, Liscard and New Brighton. The proposals set out in the

Submission Draft will transform the LeftBank area addressing the decline and the existing social and economic deprivation. It will also show how future development in the area will ensure that the right number of homes and employment floorspace are met.

The Local Plan is important for showing where development is planned, and therefore where resources and possible additional infrastructure such as walking and cycling links, or new schools are needed. The plan will also ensure that Wirral protects its fantastic built heritage, its Green Belt and outstanding natural environment.

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 2021/22 was £241m, which included £56m of Better Care Funding.

Integrated Care System for Wirral

Integrated care is about giving people the support they need, joined up across local councils, the NHS, and other partners. It removes traditional divisions between hospitals and family doctors, between physical and mental health, and between NHS and council services. In the past, these divisions have meant that too many people experienced disjointed care. Integrated Care Systems are partnerships between the organisations that meet health and care needs across an area, to coordinate services and to plan in a way that improves population health and reduces inequalities between different groups. Since 2018, they have been deepening the relationship in many areas between the NHS, local councils, and other important strategic partners such as the voluntary, community and social enterprise

sector. They have developed better and more convenient services, invested in keeping people healthy and out of hospital and set shared priorities for the future.

Wirral is part of the Cheshire and Merseyside ICS. The area has a population of approx. 2.6mn and is the second largest ICS footprint in England. Within the Cheshire and Merseyside ICS there are nine 'Places' of which Wirral is one.

By working together, making shared decisions about how the local health and care resources can best be used, we know that we can drastically improve population health, delivering more joined up care, focused on a person's individual needs and providing them with the support to manage their own care. The Cheshire and Merseyside ICS was established on 1 July 2022.

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 £1.423bn and liabilities of £1.831bn. The net change in the scheme for 2021/22 was an increase of the assets by £68m. Most of this movement relates to the change in financial assumptions.

The purpose of the actuarial valuation is for the administering authority to determine:

- The expected cost of providing the benefits built up by members at the valuation date (the "liabilities"), and compare this against the funds held by the Fund (the "assets")
- The contributions needed to cover the cost of the benefits that active members will build up in the future and other costs incurred in running the Fund (the "Primary Contribution Rate")
- An appropriate plan for making up the shortfall if the Fund has less assets than liabilities. The plan will cover the amounts which will need to be paid (the Secondary Contribution Rate) and the timeframe over which they will be paid (the Recovery Period)

The next triennial valuation is at 31 March 2022, the results of this valuation will be discussed and agreed with employers during 2022/23 and new employer contributions rates will be set for the next 3 years from 1 April 2023.

4. Key Outcomes

Birkenhead Central Library

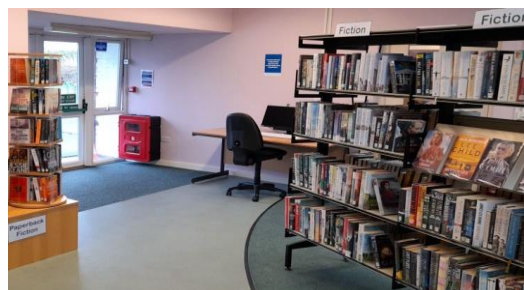
Wirral Libraries service in 2021/22 was awarded a grant of £125,251 by the Department for Digital, Culture, Media and Sports, delivered by Arts Council England, to create a "Connect and Inspire" Hub at Birkenhead Central Library. Wirral's funding is from the Libraries Improvement Fund which aims to transform library services in England by helping them upgrade their buildings and digital infrastructure so they



can respond to the changing ways people use them. In 2022/23 a programme of works is underway which will reconfigure and refit the current IT suite based at the library into a modern flexible digital hub, investing in internal upgrading and digital infrastructure to substantially improve the service's offer, whilst providing a multi-purpose community space to learn, connect and work. The suite will be re-decorated and new furniture installed. Additionally, there will be new technology, including the upgrade to wi-fi coverage, wi-fi printing, charging points, loanable tablets and improved self-service functionality to improve user experience.

New Libraries facilities opened at Seacombe Children's Centre

The library is home to a broad selection of books for visitors of all ages to borrow, as well as publicly accessible IT equipment. The services are provided in an area of the centre that was previously a nursery. Free, improved WiFi has been installed at the building to enable customers to connect quickly and effectively to the digital world. Library staff are on hand during opening times to assist visitors with any enquiries.



New CCTV control room up and running

Wirral Council's existing CCTV network has been upgraded, overhauling the system with the latest technology to help reduce crime and anti-social behaviour. More than £1m has been spent on a new CCTV control room, 34 new camera installations and upgrades at 112 existing sites. The first phase – funded by the Home Office as part of the Safer Streets Initiative and Town Deal Accelerated Grant – is already complete with a new control room fully operational with a state-of-the-art digital video management system installed and 24/7 monitoring of the CCTV network. Safer Streets two is almost complete in Seacombe and Birkenhead with the third and final phase to replace all remaining analogue cameras across the borough already underway.



A partnership of Wirral Council, Merseyside Police, the Office of the Police & Crime Commissioner for Merseyside successfully bid to the Home Office for the funds. Liscard Town Centre is also benefitting from two additional CCTV cameras on Liscard Way thanks to funding from Liverpool City Region, as well as a new CCTV camera which is being installed in the area around the new Pump Track in Central Park. The new and improved cameras are all designed and manufactured in the UK and have improved image quality which will help increase detection of crime and convictions from CCTV evidence. The cameras also use less power than the previous analogue models, reducing their carbon footprint. All CCTV columns will have the capacity to provide a network connection for any device requiring access to the internet such as air quality sensors, public address systems, Wi-Fi hotspots or traffic counters providing further savings and opportunities to the Council in the future.

Traffic signs installed in Wirral to increase driver safety

Across the borough, 30 new vehicle-activated signs have been installed at speeding hotspots. The signs use radar technology to detect oncoming vehicles and warn drivers of any impending danger due to excessive speeds or unforeseen hazards. By only illuminating when they detect of a vehicle, the signs also avoid any wasted energy and can be powered off-grid or by renewable energy sources (where possible), helping to meet the council's goal of achieving 'net zero' carbon emissions by 2030. The new signs, installed by the council's contractor [TWM Traffic Group](#), will help to make roads across the region safer



by encouraging road users to slow down and increase speed awareness. Locations for the signs have been chosen based on known areas of speeding and since installation, the signs have seen up to 16% reduction in speed across some areas.

New 3G Facility opens at Tranmere Rovers Training Ground, The Campus

In November 2021 the Mayor and Mayoress of Wirral conducted the formal opening of the new 3G pitch at The Campus - Tranmere Rovers' training ground in Leasowe. The work was carried out by Tranmere Rovers in partnership with Wirral Council, with construction beginning in April 2021. The gates first opened for Community use on 1st September 2021. The construction of this pitch fits in with Wirral Council's strategy to address the demand for facilities such as these in the borough. Since opening to the public, the 3G pitch is already fully used in peak hours with the community and local organisations, clubs and schools all feeling the benefits.



Tiny Forests taking shape thanks to Wirral children

More than 1,200 new trees have been planted at Citrine Road in Seacombe and The Delph, Wallasey, by pupils from a number of local primary and secondary schools supported by families and community groups. The Tiny Forest initiative is led by Earthwatch Europe, an environmental charity with science at its heart. They are densely planted native woodlands the size of a tennis court that can help mitigate the impacts of climate change, support urban wildlife and reconnect people with nature, offering multiple co-benefits for a community. These miniature forests grow rapidly, becoming more biodiverse and impactful more quickly than monoculture forests or isolated trees. More than 3,000 Tiny Forests have already been planted around the world, with Earthwatch Europe pioneering the movement in the UK. The tree planting session at Citrine Road, supported by DEFRA's Green Recovery Challenge Fund and MINI Electric, is part of a wider local environmental project called the 'Citrine Citizen Science Forest Project', which gives pupils the chance to work alongside forest schools, universities, community groups and other specialists to broaden their awareness of 'green' issues.



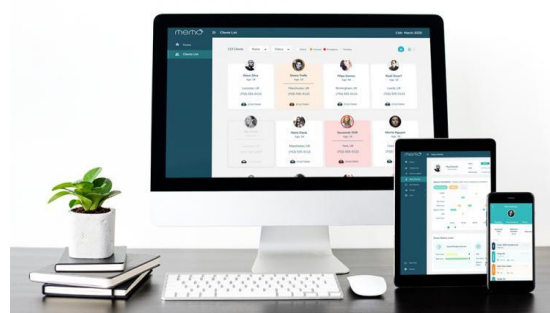
Children's Centres gain UNICEF Baby Friendly Award

Wirral's children's centres have been awarded the prestigious Baby Friendly Award, gaining much-deserved recognition from the UK Committee for UNICEF (UNICEF UK) Baby Friendly Initiative. The Baby Friendly Initiative (BFI) is a global programme which aims to transform healthcare for babies and their families as part of a wider global partnership between UNICEF and the World Health Organization (WHO). The initiative also focuses on enabling public services to better support families with all kinds of feeding methods and developing close, loving relationships, ensuring that all babies get the best possible start in life.



Digital telecare transformation at borough-wide scale

The innovative new Council programme will see upwards of a £1.5m invested to transform telecare services for thousands of residents in Wirral over the next few years. Telecare is care and support provided to people remotely for example, through phone services or safety alarms that enable people to call for help if they need it. Currently, more than 3,500 Wirral residents have been assessed as eligible for the borough's telecare offer. The new pilot scheme will see the Council introduce next generation telecare services – shifting the focus from reacting to crisis events (such as accidents or falls), to preventing them.



The pilot will be delivered alongside Wirral's commissioned community equipment and telecare provider, Medequip, and care technology specialists, Alcuris. Wirral Council is one of the UK's first local authorities to transfer residents from analogue telecare systems to new next generation services at this scale. The digital system will create opportunities for early, preventative interventions and reduce hospital admissions. New devices that can detect signs of health deterioration, such as smart plugs and movement sensors, during 2021/22. Recognising the signs of someone becoming unwell or noticing a change in habits that may indicate a problem, enables families and services to intervene and prevent small issues from becoming big problems.

['Our Space' – dedicated hub opens for Wirral Care Leaver's aged 16-25](#)

Although developed and set up by Wirral Council, 'Our Space' comes entirely from the ideas of local young people who have left care, and older Children Looked After. It is designed to be a welcoming safe space to give care leavers a place for developmental, supportive, and recreational opportunities.

When we asked our young people what they wanted, they told us they would like a safe space they could call their own. A place where they could access a range of services dedicated to them and also a place where they could access activities; a place where they could see professionals in an informal way without having to go to four or five different places to get an answer, a place where they could come if they were in need and a place, they would feel comfortable in. (At Our Space)



They can drop-in and relax or meet with their workers from both the council and other partner organisations. They can learn to cook, design, and make their own clothes, or develop their skills in living independently. Or they can simply come for a chat, a hot drink, and a bite to eat. The space has a hall that is zoned into four areas: 'Performance' has a stage, the 'Urban' zone has a pool table and games, the beach area has huts with laptops in and the chill out areas has a woodland theme. There is also a café bar in this space so young people will have access to food and drink. There is also a kitchen for cooking sessions, rooms for gaming, parenting and arts and crafts where our young people recently been designing and making their own clothes. There is a conference room which has a more professional feel and where the Children in Care and Care Leavers councils meet. The building also includes office space for our staff who work with Care Leavers. Wirral Council supports around 400 Care Leavers at any one time. These young people have had some of the most disrupted childhood's possible and may experience significant disadvantage and vulnerability throughout their lives. Wirral Children's Department, the Leaving Care Service, and other partners agencies work together to redress the balance by offering the best possible support for young people to achieve their potential.

LED replacement programme

A programme to replace more than 27,000 streetlights in Wirral with energy-saving LED lanterns was completed during 2021/22. As well as the upgrade to the lanterns themselves, more than 9,000 old streetlight columns have been replaced too as part of this work, which has been carried out under contract by SSE, the council's contractors for the LED Replacement project. During 2021/22, SSE also installed 50 on-street electric vehicle charging points on lighting columns as part of a pilot project, which is aimed at delivering environmental improvements. As well as helping to meet carbon reduction targets by dramatically reducing energy use each year, the new LED lights reduce running costs as the lamps last longer than the original fittings and need less maintenance. They also seem to be proving more reliable with a notable reduction in the number of report streetlight faults over the last two years – 145 in August 2021, compared to 429 in August 2019. The new LED lights create a white light effect and are directed onto the pavement and road to help increase visibility for residents and improve the footage for CCTV cameras where they are in use. The LED Replacement Programme in numbers:



- 27,565 lanterns and 9,884 columns have been replaced
- 1,423 tonnes of carbon emissions will have been avoided between 2019 and 2021 as a result of the programme
- 7,700 tonnes of carbon emissions will have been avoided by 2030 as a result of the programme, compared with the emissions that would have been produced by the previous lantern types
- £240,714 – that is the social value delivered by the SSE contract, which includes the direct employment of local Wirral residents on the works
- £12.9m – total investment in the infrastructure improvements by the end of the programme; funding from a combination of the council's Capital Programme and interest-free borrowing from the government's Salix scheme

Wirral awarded 30 Green Flag Awards for the second year running

208 Green Flags have been awarded to parks and green spaces in the Northwest, with 30 of those awarded to Wirral alone – that's 14% of the Green Flags in the region. All 30 of last year's winners have been awarded with a Green Flag to celebrate the dedication of parks and countryside staff, as well as Friends Groups and members of the public who volunteer their time and effort, to make improvements to these important areas. The international awards recognise good quality parks and green spaces around the borough and each of the sites must have good environmental standards, be well maintained, and provide clean and safe visitor facilities to be honoured with a Green Flag.



Drug-related health harms and crime

During 2021/22 Wirral was selected to be a part of a national scheme to tackle drug-related crime and health impacts. The funds are part of the Government's 'Project ADDER', (Addiction, Diversion, Disruption, Enforcement and Recovery), a joint programme between the Home Office, Department of Health and Social Care and Public Health England. Locally, the scheme will develop enhanced support for those leaving prison, people experiencing homelessness and recovery support around employment. A key focus of the Wirral programme is related to improving access to local NHS services for support for physical and mental health conditions, as well as support for families.

£2.0m for Wirral children and families in the summer of 2021

Thousands of children and young people had the chance to enjoy new activities and learn new skills during the summer of 2021, thanks to a network of 54 holiday clubs that will be operating through schools, charities and community groups across Wirral over the school break. Up to 6,000 places were available in the huge programme of activities, which includes music, dance, drama, art, sport and cooking. The scheme was coordinated by education services provider Edsential - a community interest company owned by Wirral and Cheshire West & Chester Councils - and their local partner Neo Community. A nutritious meal was provided



each day to all those taking part in the holiday clubs. The summer programme targeted those who were eligible for free school meals and was made possible thanks to an award of £800,000 from the Department for Education's Holiday Activity Fund. Families on a budget and who needed to make their money go further were invited to take part in a 'Summer Cooking on a Budget Challenge' which will provided all the ingredients – and a sprinkling of cooking advice and encouragement – to prepare a range of balanced meals for all the whole family to enjoy. All those taking part in the challenge received nutritional food packs containing all the ingredients and recipes needed to make meals together. The Summer Cooking on a Budget Challenge supported up to 4000 local families and is part of package of support that has been made possible following an award of £1.153m from the Department for Work and Pensions for an extension to Wirral's Covid Local Support Grant.

5. Summary of Financial Performance for 2021/22

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 2021, the Council agreed a net budget of £329.4m for 2021/22.

The net spend of the Council is met from a combination of government grants, the local taxpayer through Council Tax and other income. In 2021/22, the Council Tax band D charge was £1,991.24, representing a general increase of 1.99% and 3.00% ringfenced increase to Adult Social Care.

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 2021/22 the Council reported an adverse variance of £4.854m within Directorates. Exceptional financial support via the capitalisation directive from MHCLG results in a balanced outturn position for this financial year.

The General Fund balance remains unchanged at £10.67m.

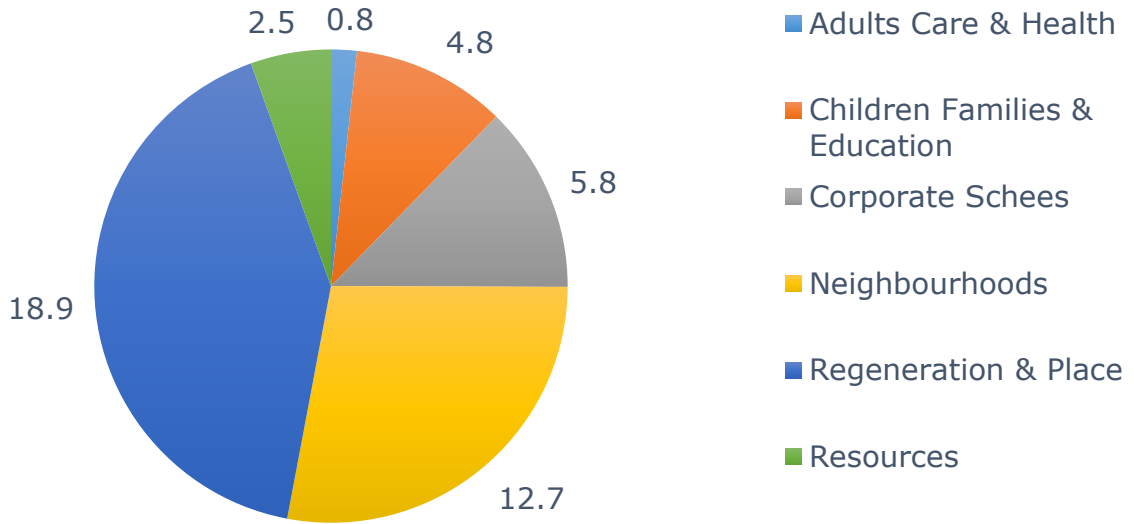
TABLE 1 2021/22 REVENUE BUDGET & OUTTURN

	Budget	Outturn	Variance		Adverse/ Favourable
	£000	£000	(+ Fav / - Adv) £000 %		
Adult Care & Health	113,651	112,592	1,059	1%	Favourable
Chief Executive Office	1,977	2,000	-23	-1%	Adverse
Children, Families & Education	87,318	86,678	640	1%	Favourable
Law & Governance	3,903	3,904	-1	0%	Adverse
Neighbourhoods Services	54,532	54,443	89	0%	Favourable
Regeneration and Place	34,278	34,407	-129	0%	Adverse
Resources	33,692	33,473	219	1%	Favourable
Total Surplus / (Deficit)	329,351	327,497	1,854	1%	Favourable
Additional value to offset EFS			3,000		Favourable
For Information:					
Included as part of budget funding:					
Exceptional Financial Support	-10,700	-5,846	-4,854	45%	

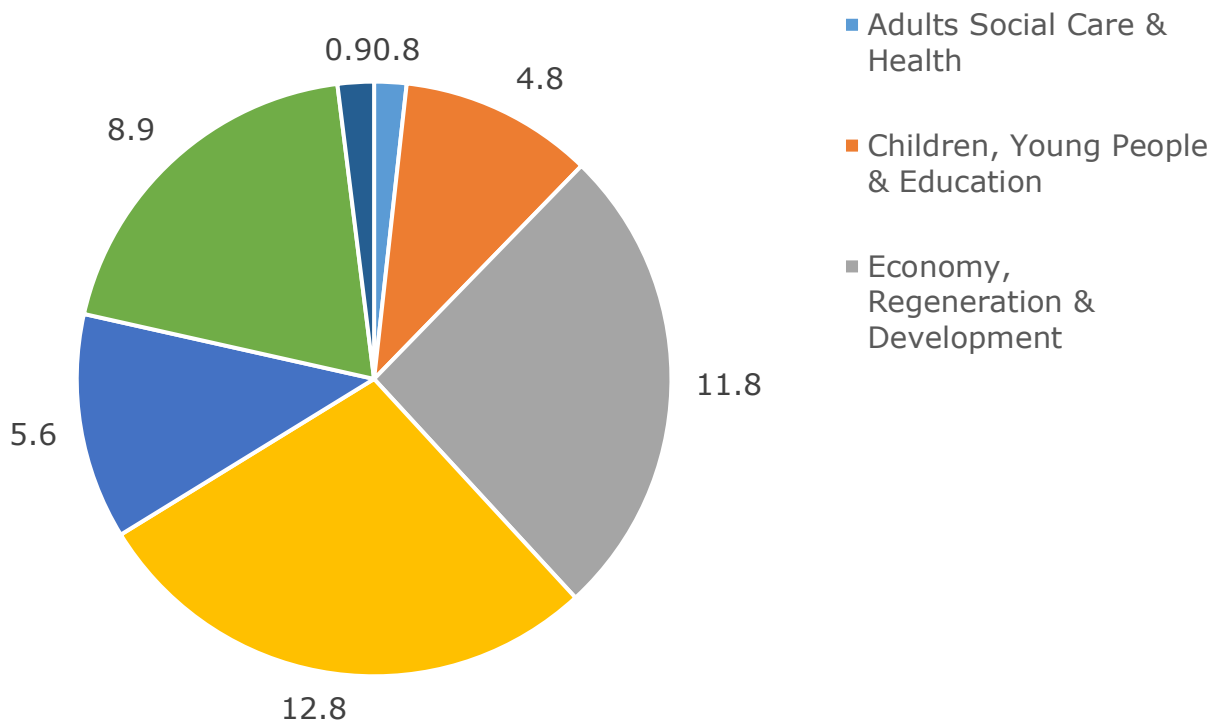
Capital Expenditure

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 2021–2026 is £141.5m. The capital spend for 2021/22 was £45.5m (2020/21 £46.5m).

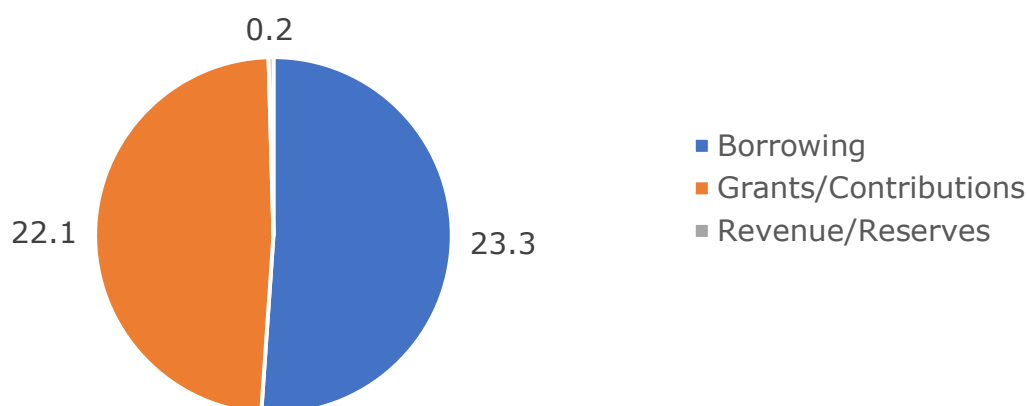
Capital Spend by Directorate £m



Capital Spend by Committeee £m



Sources of Capital Funding £m



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 2022 is £10.676m, which is still in line with the Council's approved policy to provide a prudent financial safety net for unforeseen events.

The Balance Sheet as at 31 March 2022 shows a net liability of £44.7m (2020/21 (£56.1m)). The net asset worth of the Council excluding the Pension Liability is £504.8m (2020/21 £475.7m). The movement for 2021/22 of (£100.8m) is explained in the sections below. The Council has reviewed its financial performance for 2021/22 and the budget for 2021/22 and considers that the Council may be viewed as a going concern.

Long-Term Assets

Long-Term Assets:

	2020/21	2021/22	Change
	£000	£000	£000
Property, Plant and Equipment	671,002	681,845	10,843
Heritage Assets	18,411	18,883	472
Investment Properties	19,033	18,946	(87)
Intangible Assets	19	0	(19)
Investments	9,963	11,317	1,354
Debtors	22,327	18,973	(3,354)
Total	740,755	749,964	9,209

The £9.2m increase in Long Term Assets is due to capital expenditure of £31.4m, property and heritage, including valuations increase of £8.0m, off-set by depreciation and disposals of £28.2m. 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.

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

	2020/21	2021/22	Change
	£000	£000	£000
Current Assets			
Short-Term Investments	6,974	8,306	1,332
Inventories	226	410	184
Short-Term Debtors	89,240	84,824	(4,416)
Cash and Cash Equivalents	29,856	46,982	17,126
Total Current Assets	126,296	140,522	14,226
Current Liabilities			
Cash and Cash Equivalents	(8,586)	(6,195)	2,391
Short-Term Borrowing	(101,198)	(71,919)	29,279
Short-Term Creditors	(81,443)	(113,820)	(32,377)
Provisions	(12,084)	(12,680)	(596)
Total Current Liabilities	(203,311)	(204,614)	(1,303)
Total	(77,015)	(64,092)	12,923

Total current assets in the Balance Sheet (Investments, debtors including other debtors and cash and cash equivalents) are £140.5m off-set by current liabilities (short term borrowing, creditors and provisions) of £204.6m, giving a net current liability of £64.1m.

Short-term investments have increased by £1.3m, and cash by £17m. Throughout 21/22 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 21/22, resulting in a reduction of £29.3m short-term borrowing. Further details can be found in the Financial Instruments note to the accounts.

Creditors have increased by £32.4m and Provisions increased by £0.6m (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

	2020/21	2021/22	Change
	£000	£000	£000
Provisions	(3,444)	(3,876)	(432)
Long-Term Borrowing	(149,434)	(145,268)	4,166
Other Long-Term Liabilities	(34,877)	(31,675)	3,202
Pension Liability	(531,815)	(460,054)	71,761
Grants Receipts in Advance - Capital	(257)	(255)	2
Total	(719,827)	(641,128)	78,699

The most significant change in long-term liabilities is the decrease in the net Pension liability of £71.8m (2019/20 it increased by £79.2m). This is made up of a £70.0m decrease for the Local Government Pension Scheme (LGPS), and a £1.8m 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.

Reserves

The Council holds Usable Reserves of £162.0m (2020/21 £150.9m), consisting of Earmarked Reserves of £104.9m (2020/21 £114.6m), General Fund Balances of £10.7m (2020/21 £10.7m), Capital Receipts of £6.2m (2020/21 £1.2m) and Capital Grants Unapplied of £40.2m (2020/21 £24.4m). 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 2021/22 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 2021	Transfers in 2021/22	Transfers out 2021/22	Balance at 31 March 2022
	£000	£000	£000	£000
School Reserves	(14,960)	(3,245)	49	(18,156)
Covid-19 Reserves	(63,465)	(16,066)	49,460	(30,071)
Ringfenced Reserves	(18,846)	(13,607)	75	(32,378)
Other Reserves	(17,361)	(13,433)	6,463	(24,331)
Total Earmarked Reserves	(114,632)	(46,351)	56,047	(104,936)

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 £89.8m is due primarily to the change in pensions liability of £71.8m, and movement on the Collection Fund Adjustment Account of £25.6m. Further information can be found in the Unusable Reserves note and the Collection Fund statement and notes.

6. Going Concern

In February 2022 the Council approved a budget for 2022/23 and were provided with an indicative budget for the following four years. At the time the budget was approved the Council was forecasting a deficit of £71.6m over the period 2023-27. The Council had submitted a request for exceptional financial support to HM Treasury via DLUHC in 2020, which was evaluated by Local Government Association (LGA) for years 20/21 and 21/22. DLUHC approved financial support for 20/21 of £9m of which £6.5m was finally utilised. In May 2022 confirmation was received that the application for exceptional support was approved for the year 2021/22 of a sum not exceeding of £6.36m and is likely to draw down of £5.8m.

At 31 March 2022 the council's balanced budget showed general fund reserves of £10.7m which is in line with, but at the lower of its agreed levels and earmarked reserves of £104.9m, of which £30.1m 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 2022/23 should be in the region of £68m, with all Covid-19 reserves used and the general fund of £13.2m.

The Council is closely monitoring the budget position and where necessary taking corrective action to ensure a balanced position is maintained for 2022/23 and 2023/24. 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.

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 cost savings, then income, investment and growth in future years. This has meant that the Council has had to review what its most critical services are, determine which are required to still be operational and this is being achieved through the service reviews. This may also require the Council to review the structural position of its budget and how that needs to change in the future.

As the nation has now come out of lockdown and the new norm is being established, it is difficult to determine with any degree of certainty the long-term impact of Covid-19 will have had, but there may be an on-going financial pressure on the Council.

During 2022/23 in the approved budget, there was no planned use of earmarked reserves to underpin the Council's budget. Any 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 and reviewing how it delivers its services, along with service reviews planned. Any changes to service delivery from an operational approach will ensure it focuses on the prioritising services in line with the Wirral Plan 2026 and these will be reflected in the Medium Term Financial Plan (MTFP) to achieve financial sustainability through the use of benchmarking and other monitoring activity, in a manner that continues to give consideration to the Council's strategic objectives. Over the five years to 2026/27 the Council reported a forecast that shows a current deficit. Work continues to ensure this deficit is mitigated and a balanced five-year plan can be achieved.

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 2023 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. Short-term borrowing at 31 March 2022 was £70m, of which £58m was peer to peer borrowing.

Conclusion

The entities which Wirral Council has an investment in has been adequately provided for in the Council's single entity accounts as at 31 March 2022, and regular board meeting are held where the viability of these entities is discussed and any risk associated would

then be assessed and appropriate decisions made. The Council believes it is adequately protected for the known risks associated with these entities.

7. 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 2022. 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 2021/22 (the Code) supported by International Financial Reporting Standards (IFRS).

For 2021/22 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 £6.36m for 2021/22, 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 2021/22 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.

The Council reviews annually any interests in companies and other entities for any financial arrangements that may require the production of Group Accounts. In 2021/22 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 2021/22.
- **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 2021/22;

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 2022, 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.

8. 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 2022 and its income and expenditure for the year then ended.

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

Independent Auditor's Report

Intentionally left blank



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.

Further details of these reserves and the in-year movements can be found in the Transfers to/from Earmarked Reserves note, and the Usable Reserves and Unusable Reserves notes.

The opening 2020/21 balance was 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 was therefore 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
Balance at 31 March 2021	(10,676)	(114,632)	(125,308)	(1,190)	(24,429)	(150,927)	207,014	56,087
Movement in reserves during 2021/22								
Surplus or deficit on the provision of services	28,122	0	28,122	0	0	28,122	0	28,122
Other Comprehensive Income / Expenditure	0	0	0	0	0	0	(128,953)	(128,953)
Total Comprehensive Income and Expenditure	28,122	0	28,122	0	0	28,122	(128,953)	(100,831)
Adjustments between accounting basis and funding basis under regulations	(18,426)	0	(18,426)	(4,992)	(15,739)	(39,157)	39,157	0
Net Increase or Decrease before Transfers to Earmarked Reserves	9,696	0	9,696	(4,992)	(15,739)	(11,035)	(89,796)	(100,831)
Transfers to / from Earmarked Reserves	(9,696)	9,696	0	0	0	0	0	0
Increase or Decrease in 2021/22	0	9,696	9,696	(4,992)	(15,739)	(11,035)	(89,796)	(100,831)
Balance at 31 March 2022	(10,676)	(104,936)	(115,612)	(6,182)	(40,168)	(161,962)	117,218	(44,744)

	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Un- applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	(10,676)	(66,768)	(77,444)	(513)	(19,453)	(97,410)	99,820	2,410
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	0	(1,265)	(1,265)	0	0	(1,265)	1,265	0
Revised balance at 1 April 2020	(10,676)	(68,033)	(78,709)	(513)	(19,453)	(98,675)	101,085	2,410
Movement in reserves during 2020/21								
Surplus or deficit on the provision of services	41,594	0	41,594	0	0	41,594	0	41,594
Other Comprehensive Income / Expenditure	0	0	0	0	0	0	12,083	12,083
Total Comprehensive Income and Expenditure	41,594	0	41,594	0	0	41,594	12,083	53,677
Adjustments between accounting basis and funding basis under regulations	(89,350)	0	(89,350)	(677)	(3,819)	(93,846)	93,846	0
Net Increase or Decrease before Transfers to Earmarked Reserves	(47,756)	0	(47,756)	(677)	(3,819)	(52,252)	105,929	53,677
Transfers to / from Earmarked Reserves	47,756	(46,599)	1,157	0	(1,157)	0	0	0
Increase or Decrease in 2020/21	0	(46,599)	(46,599)	(677)	(4,976)	(52,252)	105,929	53,677
Balance at 31 March 2021	(10,676)	(114,632)	(125,308)	(1,190)	(24,429)	(150,927)	207,014	56,087

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 2020/21 have been restated and re-presented to reflect a small number of internally recharged activities that were not disclosed in 2020/21.

2020/21 (restated)			2021/22		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
1,987	(16)	1,971	2,238	(108)	2,130
34,285	(29,949)	4,336	0	0	0
132,610	(102,773)	29,837	154,383	(112,999)	41,384
75,486	(12,444)	63,042	90,123	(28,684)	61,439
8,531	(1,029)	7,502	7,776	(1,789)	5,987
37,054	(9,131)	27,923	38,042	(16,260)	21,782
315,840	(230,736)	85,104	334,913	(242,138)	92,775
180,331	(87,935)	92,396	195,990	(90,449)	105,541
325	(3,643)	(3,318)	0	0	0
786,449	(477,656)	308,793	823,465	(492,427)	331,038
		Cost of Services			
43,367	0	43,367	48,217	0	48,217
34,363	(509)	33,854	25,200	(1,970)	23,230
0	(344,420)	(344,420)	0	(374,362)	(374,362)
864,179	(822,585)	41,594	896,882	(868,759)	28,123
		Surplus or Deficit on Provision of Services			
		(22,831) Surplus or deficit on revaluation of Property, Plant and Equipment			(21,764)
		0 Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income			47
		4 Surplus or deficit on financial assets measured at fair value through other comprehensive income			45
		34,910 Remeasurement of the net defined benefit liability / asset			(107,282)
		12,083 Other Comprehensive Income and Expenditure			(128,954)
		53,677 Total Comprehensive Income and Expenditure			(100,831)

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.'

31 March 2021			31 March 2022
£000	Notes		£000
671,002	14	Property, Plant and Equipment	681,845
18,411	15	Heritage Assets	18,883
19,033	16	Investment Property	18,946
19	17	Intangible Assets	0
9,963	18	Long-Term Investments	11,317
22,327	18 & 19	Long-Term Debtors	18,973
740,755		Long Term Assets	749,964
6,974	18	Short-Term Investments	8,306
226		Inventories	410
89,240	19	Short-Term Debtors	84,824
29,856	21	Cash and Cash Equivalents	46,982
126,296		Current Assets	140,522
(8,586)	21	Cash and Cash Equivalents	(6,195)
(101,198)	18 & 29	Short-Term Borrowing	(71,919)
(81,443)	22	Short-Term Creditors	(113,820)
(12,084)	23	Provisions	(12,680)
(203,311)		Current Liabilities	(204,614)
(3,444)	23	Provisions	(3,876)
(149,434)	18 & 29	Long-Term Borrowing	(145,268)
(34,877)	18, 22 & 29	Other Long-Term Liabilities	(31,675)
(531,815)	42	Pension Liability	(460,054)
(257)	36	Grants Receipts in Advance - Capital	(255)
(719,827)		Long Term Liabilities	(641,128)
(56,087)		Net Liabilities	44,744
(150,927)	24	Usable Reserves	(161,962)
207,014	25	Unusable Reserves	117,218
56,087		Total Reserves	(44,744)

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.

2020/21 £000	Notes	2021/22 £000
41,594	Net (surplus) or deficit on the provision of services	28,122
(79,473)	26 Adjustment to surplus or deficit on the provision of services for noncash movements	(89,646)
25,582	26 Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	39,362
(12,297)	Net cash flows from operating activities	(22,162)
(15,558)	27 Net cash flows from investing activities	(8,224)
(4,547)	28 Net cash flows from financing activities	10,869
(32,402)	Net increase or decrease in cash and cash equivalents	(19,517)
53,672	21 Cash and cash equivalents at the beginning of the reporting period	21,270
21,270	21 Cash and cash equivalents at the end of the reporting period	40,787
32,402	21 Cash and cash equivalents movement during reporting period	(19,517)



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 2021/22 financial year and its position at the year-end of 31st March 2022. 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 2021/22, these practices are 'The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22' ('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 2022 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 Department of Levelling Up Housing and Communities, 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 Department of Levelling Up Housing and Communities (DLUHC) formally Ministry of Housing, Communities and Local Government (MHCLG) to enable a balanced budget to be reported for 2020/21 and 2021/22. The Secretary of State has approved a capitalisation direction of a total not exceeding £6.36m for 2021/22, subject to conditions set out in capitalisation direction.

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 DLUHC 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 2021/22 as identified and agreed with DLUHC 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; the aim, as requested by DLUHC, is to repay early, over a 5 year period, using capital receipts. 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 or fair value at each reporting date. All 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 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.

Covid grants have been received during the year and these are classified into passported (where the Council is the Agent) and not reported in the CIES but are held in the balance sheet and then paid over to the respective body, company etc. Covid grants where the Council uses the grants (ringfenced or un-ringfenced) in accordance with the conditions of the grant, are reported in the CIES as they are spent and any unused grant is held in an Earmarked Reserve for future use. A number of grants have a hybrid approach passported or not depending on the conditions and use; these are either charged to the CIES, held in Earmarked Reserves or passported to the respective body or held as a creditor in the balance sheet for future passporting.

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 16) and those held primarily for their contribution to knowledge and culture (see Heritage Assets Note 15).

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:

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

The Code definition of current value requires PPE that are operational 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 2021/22.

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:

Changes to Accounting Standards

The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22 financial statements in accordance with the requirements of the Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
- IAS 37 (Onerous contracts) – clarifies the intention of the standard.
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material.
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances. None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

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 2023)

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 £1.2m (£1.5m 20/21). 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 Department for Levelling Up, Housing and Communities (DLUHC) and HM Treasury, and has determined that the Council is not impaired as a result of a need to close facilities, significantly remodel Council services or reduce levels of service provision.

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 one operational company; Wirral Evolutions Ltd, 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 2021/22 the Council did not have any interests it considers material in the form of both quotative and quantitative 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 separately 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.

Schools governing bodies are separate entities to the Council but (with the exception of Academies and Free Schools) for the purpose of preparing the financial statements they

are within the group boundary and their activities must be reported. In recognition of the unique nature of the relationship, Councils are required to report any material expenditure, income, assets and liabilities of these schools within its primary statements.

Where Schools have converted to Academy status, 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. No schools converted to an Academy during 2021/22 and there are two pending conversions.

The Council has completed an assessment of the different types of schools within the Borough and the numbers and types of schools recognised within the financial statements on the basis disclosed follows for 2021/22:

	Total Schools	Council Controlled Schools (on Balance Sheet)	Schools Outside Council Control (off Balance Sheet)
Community Schools:			
Nursery	3	3	0
Primary	49	49	0
Secondary	1	1	0
Special	11	11	0
Foundation Schools	3	2	1
Voluntary Controlled	5	0	5
Voluntary Aided	23	3	20
Academies	30	0	30
Total	125	69	56

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 2022 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 +/- £5.1m change to the Non-Current Assets value on the Balance Sheet.

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

- **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 2022.

Effect if Results Differ from Assumptions

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 2022 was £5,391 million (£4,745 million at 31 March 2021).

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.

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. 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 fair value of PWLB loans would change by +/- £29.3m.

- **Business Rates**

Uncertainty

The Council which is part of the Liverpool City Region 100% Business Rates Retention Pilot, of which in 2021/22 the Council retained 99% (£72.3m) 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. 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 resumed 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. The impact of inflation and the war in Ukraine is increasing the cost of living and this is likely to have a further impact on the collection rates.

- **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 2022, the Council had a debtors and specific loans of (short and long term) of £150.8m. A review of significant balances suggested that an impairment of expected credit losses of £38.7m 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 received significant COVID grant support that is reported in the CIES with corresponding expenditure of in £54.1m.

Note 6 - Events After the Balance Sheet Date

Relevant events after the balance sheet date have been considered up to 31st July 2022. This is the date the draft accounts were authorised 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 31st March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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).

2020/21			2021/22		
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
1,793	178	1,971	1,862	268	2,130
4,336	0	4,336	0	0	0
29,688	151	29,839	40,868	516	41,384
49,676	13,366	63,042	34,118	27,321	61,439
7,242	260	7,502	5,348	639	5,987
15,380	12,543	27,923	13,027	8,755	21,782
69,354	15,750	85,104	74,406	18,369	92,775
91,708	688	92,396	104,455	1,086	105,541
(8,418)	5,100	(3,318)	0	0	0
260,759	48,036	308,795	274,084	56,954	331,038
(308,513)	41,314	(267,199)	(264,388)	(38,527)	(302,915)
(47,754)	89,350	41,596	9,696	18,427	28,123
(78,709)		Opening Combined General Fund Balance	(125,308)		
(47,756)		Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	9,696		
1,157		Transfers to / from Earmarked Reserves	0		
(125,308)		Closing Combined General Fund Balance	(115,612)	0	0

Note 7a - Note to the Expenditure and Funding Analysis

	2021/22			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Chief Executive Officer	5	273	(10)	268
Resources	(2,173)	2,487	202	516
Neighbourhood Services	22,077	4,885	359	27,321
Law & Governance	(3)	598	44	639
Regeneration & Place	6,972	1,657	126	8,755
Children, Families & Education	3,932	13,220	1,217	18,369
Adults Care and Health and Strategic	229	794	63	1,086
Net Cost of Services	31,039	23,914	2,001	56,954
Other Income and Expenditure	(24,576)	11,606	(25,557)	(38,527)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	6,463	35,520	(23,556)	18,427

	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	10,464	2,902	0	13,366
Law & Governance	6	254	0	260
Regeneration & Place	11,508	1,034	0	12,542
Children, Families & Education	7,883	7,453	414	15,750
Adults Care and Health and Strategic	362	326	0	688
Corporate	7,507	(2,407)	0	5,100
Net Cost of Services	35,362	12,395	278	48,035
Other Income and Expenditure	(12,696)	11,694	42,316	41,314
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	22,666	24,089	42,594	89,349

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.

2021/22	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Pension cost (transferred to (or from) the Pensions Reserve)	(35,521)	0	0	35,521
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	45	0	0	(45)
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	25,556	0	0	(25,556)
Holiday pay (transferred to the Accumulated Absences reserve)	(2,033)	0	0	2,033
In-year Dedicated Schools Grant (DSG) deficit (transferred to DSG Adjustment Account)	(11)	0	0	11
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)	(43,372)	(153)	0	43,525
Total Adjustments to Revenue Resources	(55,336)	(153)	0	55,489
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,133	(2,133)	0	0
Repayment of MRDF debt	0	(4,469)	0	4,469
Repayment of debt - Group company loan - Wirral Growth Company	0	(2,250)	0	2,250
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(250)	(456)	0	706
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	7,537	0	0	(7,537)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	158	0	0	(158)
Total Adjustments between Revenue and Capital Resources	9,578	(9,308)	0	(270)
Adjustments to Capital Resources				
Write off MRDF receipt to LT debtors	0	4,469	0	(4,469)
Application of capital grants to finance capital expenditure	27,332	0	(15,739)	(11,593)
Total Adjustments to Capital Resources	27,332	4,469	(15,739)	(16,062)
Total Adjustments	(18,426)	(4,992)	(15,739)	39,157

2020/21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources				
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 Adjustment Account)	(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)	(44,671)	(135)	0	44,806
Total Adjustments to Revenue Resources	(111,353)	(135)	0	111,488
Adjustments between Revenue and Capital Resources				
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)
Total Adjustments between Revenue and Capital Resources	9,047	(5,795)	0	(3,252)
Adjustments to Capital Resources				
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	14,113	0	(4,975)	(9,138)
Total Adjustments to Capital Resources	14,113	5,253	(4,975)	(14,391)
Total Adjustments	(88,193)	(677)	(4,975)	93,845

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 2021/22 and 2020/21. The reserves held at 31st March 2022 include £30.1m of funding relating to the emergency response associated with COVID-19. This is made up of Covid-19 Emergency Fund and other Covid-19 grants totalling of £14.1m, the NNDR Section 31 Grants reserve of £11.8m, Local Council Tax Support Grant reserve of £3.9m, and £0.3m for the Local Income Tax Guarantee.

	Balance at 1 April 2020 £000	Adjust opening balance	Transfers in 2020/21 £000	Transfers out 2020/21 £000	Balance at 31 March 2021 £000	Adjust opening balance £000	Transfers in 2021/22 £000	Transfers out 2021/22 £000	Balance at 31 March 2022 £000
School Reserves									
School Balances	(7,923)	0	(5,649)	91	(13,481)	0	(2,875)	49	(16,307)
School Improvement	0	0	(723)	0	(723)	0	(370)	0	(1,093)
Schools Causing Concern	0	0	(500)	0	(500)	0	0	0	(500)
Schools Capital Schemes	(361)	0	0	105	(256)	0	0	0	(256)
Dedicated Schools Grant	1,264	(1,264)	0	0	0	0	0	0	0
Total Schools Reserves	(7,020)	(1,264)	(6,872)	196	(14,960)	0	(3,245)	49	(18,156)
Covid-19 Reserves									
Covid-19 reserves	(11,862)	0	(26,592)	12,258	(26,196)	0	(329)	12,463	(14,062)
NNDR Section 31 Grants	(13,357)	0	(33,430)	13,357	(33,430)	0	(11,794)	33,430	(11,794)
Local Council Tax Support Grant	0	0	0	0	0	0	(3,943)	0	(3,943)
Local Income Tax Guarantee	0	0	(3,839)	0	(3,839)	0	0	3,567	(272)
Total Covid-19 Reserves	(25,219)	0	(63,861)	25,615	(63,465)	0	(16,066)	49,460	(30,071)
Ringfenced Reserves									
Insurance Fund	(8,694)	0	(751)	0	(9,445)	0	(327)	0	(9,772)
Public Health Outcomes	(1,204)	0	(2,489)	11	(3,682)	0	(2,912)	0	(6,594)
Champs Contact Tracing	0	0	(1,962)	0	(1,962)	0	(1,932)	0	(3,894)
Social Care Fund	0	0	0	0	0	0	(3,340)	0	(3,340)
Champs Innovation Fund	(696)	0	(1,723)	0	(2,419)	0	(744)	0	(3,163)
Selective Licensing	(538)	0	0	0	(538)	0	(816)	0	(1,354)
Resettlement Programme Grant	0	0	0	0	0	0	(992)	0	(992)
Project ADDER	0	0	0	0	0	0	(871)	0	(871)
Domestic Abuse Bill Grant	0	0	0	0	0	0	(602)	0	(602)
Wirral Ways to Work	(377)	0	0	104	(273)	0	(223)	0	(496)
Building Control	(242)	0	(112)	93	(261)	0	(283)	75	(469)
Ringfenced income from rents for property repairs	(127)	0	(7)	112	(22)	0	(254)	0	(276)
Other ringfenced reserves	(257)	0	(60)	73	(244)	0	(311)	0	(555)
Total Ringfenced Reserves	(12,135)	0	(7,104)	393	(18,846)	0	(13,607)	75	(32,378)
Other Reserves									
Business Rates Equalisation	(4,664)	0	0	0	(4,664)	0	(2,336)	0	(7,000)
Financial Instrument Equalisation	(2,127)	0	0	1	(2,126)	0	0	3	(2,123)
Termination Payments	0	0	(1,000)	0	(1,000)	0	(2,455)	1,572	(1,883)
Digital Transformation	0	0	0	0	0	0	(1,566)	0	(1,566)
Regeneration & Inward Investment	(285)	0	(278)	0	(563)	0	(860)	0	(1,423)
Financial Resilience	(857)	0	(4,901)	3,065	(2,693)	0	(1,900)	3,705	(888)
Community Safety Initiatives	(407)	0	(172)	24	(555)	0	(517)	271	(801)
SEND Improvement Action Plans	0	0	0	0	0	0	(775)	0	(775)
Enterprise Zone Investment	(403)	0	(81)	2	(482)	0	(128)	0	(610)
Intensive Family Intervention	(500)	0	(231)	226	(505)	0	0	0	(505)
Looked After Children Placements	0	0	0	0	0	0	(470)	0	(470)
H & S Flood Prevention	(504)	0	0	49	(455)	0	0	0	(455)
Urban Development Corporation	0	0	(420)	0	(420)	0	(190)	200	(410)
Asset Consolidation	0	0	(444)	0	(444)	0	0	45	(399)
16 -19 Care Leaver Accommodation Development	0	0	0	0	0	0	(358)	0	(358)
Economic Growth	0	0	0	0	0	0	(342)	0	(342)
Environmental Health	0	0	(300)	0	(300)	0	0	0	(300)
SEND OFSTED Inspection Support	0	0	(105)	0	(105)	0	(171)	0	(276)
Parks Tree Maintenance	(599)	0	(28)	253	(374)	0	0	187	(187)
Other reserves	(12,048)	0	(1,297)	10,670	(2,675)	0	(1,365)	480	(3,560)
Total Other Reserves	(22,394)	0	(9,257)	14,290	(17,361)	0	(13,433)	6,463	(24,331)
Total Earmarked Reserves	(66,768)	(1,264)	(87,094)	40,494	(114,632)	0	(46,351)	56,047	(104,936)

School Balances

These are earmarked for use purely by the schools. The balance consists of 83 maintained schools with a combined surplus balance of £18.2m, partially offset by 12 maintained schools with a combined deficit balance of £1.9m.

School Improvement

This reserve is held to support preparation for the governments education white paper and to enhance the Councils significant school improvement programme at a time of significant change that will require investment in education services. It will be used to deliver an enhanced offer to schools to 'catch-up' with the statutory requirements due to the impact of COVID-19.

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 is held to mitigate this risk.

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. Covid funding remains in reserves as there is committed expenditure within the financial year 2022-23 that relate to managing pressures and the impact of Covid-19 as follows:

	Balance at 31 March 2021	Balance at 31 March 2022
	£000	£000
Covid-19 Reserves		
Covid-19 emergency fund	(11,879)	(8,615)
Public Health Test & Trace Contain Outbreak Management Fund	(10,699)	(4,492)
Clinically Extremely Vulnerable (CEV)	(252)	(581)
Hardship Fund	(2,139)	(270)
Test & Trace Contain Outbreak Management Fund (COMF) - Enforceme	(285)	(103)
Local Restriction Support Grants	(1)	(1)
Hospitality & Leisure Support Grant	(858)	0
LA Practical Support for Those Self-Isolating	(83)	0
Total Covid reserves	(26,196)	(14,062)

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 2021/22 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 2021/22 expenditure. Additional Business Rates reliefs were awarded during 2021/22 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.

Local Council Tax Support Grant

This reserve holds grant income from the Local Council Tax Support Grant that was received as part of Central Government's response to the Covid-19 pandemic, and was approved as part of the 2022/23 budget setting process as funding to support the net revenue budget and offset the collection fund deficit resulting from the Covid-19 pandemic.

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. In some circumstances the Council may be notified of a claim many years after an event has occurred, hence the insurance reserve is required to factor in the likelihood and size of such claims.

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 and a five-year plan has been agreed for its use.

Champs Contact Tracing

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

Social Care Fund

This reserve holds ringfenced Social Care Grant not fully utilised as intended due to additional funding being received during 2021/22. The impact of Covid-19 is expected to continue to add strain on both adult and children's social care, while the longer-term impact of Covid is unknown. This reserve will be used to fund any unforeseen demand increases in future years.

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.

Selective Licencing

This reserve holds income ringfenced by statute under the Housing Act 2004 that is raised from the two selective licensing schemes to enable the Council to continue operation of the schemes for a 5-year period to 31st March 2024 and 30th September 2025 respectively.

Resettlement Programme Grant

The Council receives front loaded funding for the resettlement of refugees as part of the local authority pledge for the UKVS Resettlement programme. This grant award is front

loaded in earlier years but is for the 5-year period following arrival to provide continued support and the resettlement service. Payments are staggered for each intake arrival and money is passported across to other services over the 5-year period as required including schools funding, school uniforms and staff costs for the management and support service provided.

Domestic Abuse Bill Grant

The Domestic Abuse (DA) ringfenced grant is held in reserve to be allocated to respond to the new DA bill requirements and is to be spent on these projects which have been commissioned or agreed with housing and children's services.

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 100% Business Rates Retention Pilot, the future is unclear with the pilot being reviewed by DLUHC and only confirmed until 31st March 2023. 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 this reserve aims to mitigate against changes in the amount of business rates received in 2023/24.

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.

Termination Payments

This reserve will be used to fund severance payments to employees who leave in 2022/23 via an Early Voluntary Retirement or Voluntary Severance agreement.

Digital Transformation

Following the commencement of the prototype for a service review, this will be used in future years to generate and accelerate long-term savings for the Council by redesigning services to operate in different ways, and more efficiently and in line with the Council's priorities in the Wirral Plan.

Regeneration & Inward Investment

This reserve will be used to promote and support delivery of the Council's ambitious regeneration programme.

Project ADDER

This additional one-off funding awarded as part of the ADDER (Addiction, Diversion, Disruption, Enforcement, Recovery) / Accelerator programme will be utilised in 2022/23 to support the National Drug Treatment and Recovery Programme.

Community Safety Initiatives

This is Partnership funding from the Police & Crime Commissioner for several ongoing partnership projects that are still in progress and will fund ongoing costs and demand such as Safer Streets, Alleygates, Violence and Hate Crime and Community Safety Partnership.

SEND Improvement Action Plans

This reserve will fund the work required to deliver the aims of the Written Statement of Action following the Local Area SEND Inspection Outcomes report and will support the necessary progress and improvement in identified areas of weakness in the service for children and young people with Special Education Needs and Disability.

Financial Resilience

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

Enterprise Zone Investment

This reserve holds the growth in Business Rates income received above an initial baseline from Businesses within the Wirral Waters Enterprise Zone. This growth above the baseline is ringfenced for further investment within the enterprise zone and will fund financing costs of Wirral's contribution to the regeneration of Wirral Waters as development begins to gather pace.

Note 10 - Other Operating Expenditure

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

2020/21		2021/22
£000		£000
40,033	Levies	40,742
2,730	Gains/losses on the Disposal of Non-Current Assets	6,849
604	Other	626
43,367	Total Other Operating Expenditure	48,217

Note 11 - Financing and Investment Income and Expenditure

2020/21	2021/22
£000	£000
14,297 Interest payable and similar charges	13,496
11,030 Net interest on the net defined benefit liability (asset)	10,894
(290) Interest receivable and similar income	(274)
5,760 Changes in fair value and profit or loss on the disposal of investment properties	10
(118) Income and expenditure in relation to investment properties	(1,167)
2,986 Loss on disposal of interest in Academy Schools	0
291 Other investment income and expenditure	271
(102) Unrealised (gains) or losses on financial assets held at fair value through profit or loss transferred to unusable reserve	0
33,854 Total	23,230

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.

As part of the continued response to the Covid-19 pandemic, the government announced in March 2021 an extension to the Business Rates Retail Relief scheme for Local Businesses, with Local Authorities being compensated via Section 31 grants. This resulted in the Business Rates income to be significantly lower than estimated in the 2021/22 budget, while the related non-ringfenced S31 grants were higher than estimated.

The 2021/22 non-ringfenced government grants also include a series of support grants in response to the Covid-19 pandemic, including a further £10.0m for tranche 5 of the Covid-19 Emergency Support fund initially received in 2019/20 and 2020/21. This was to support Local Authorities with additional cost pressures resulting from the pandemic.

2020/21	2021/22
£000	£000
(147,992) Council tax income	(160,774)
(84,986) Non-domestic rates income and expenditure	(109,029)
(87,143) Non-ringfenced government grants	(67,185)
(24,256) Capital grants and contributions	(37,229)
(43) Other tax or non-specific grant income / expenditure	(145)
(344,420) Total	(374,362)

Note 13 - Expenditure and Income Analysed by Nature

The figures for 2020/21 have been restated and re-presented to reflect a small number of internally recharged activities that were not disclosed in 2020/21.

Restated 2020/21	Nature of Expenditure or Income	2021/22
£000		£000
(119,644)	Fees, charges and other service income	(132,014)
(251)	Interest and investment income	(274)
(232,978)	Income from local taxation	(269,803)
(469,849)	Government grants and contributions	(465,501)
(259)	Other income	(1,167)
281,081	Employee benefits expenses	307,523
483,777	Other service expenses	482,904
22,276	Depreciation, amortisation and impairment	33,838
25,327	Interest payments	24,390
40,033	Precepts and levies	40,742
11,476	Gain or loss on disposal of non-current assets	6,859
605	Other expenditure	626
41,594	Surplus or Deficit for Year	28,123

Expenditure and Income Analysis by Directorate 2021/22	Chief Executive Officer	Resources	Neighbourhood Services	Law & Governance	Regeneration & Place	Children, Families & Education	Adults Care and Health and Strategic Commissioning	Other	Total
Expenditure	£000	£000	£000	£000	£000	£000	£000	£000	£000
Employee benefits expenses	2,130	37,088	38,537	4,686	16,138	202,533	6,411	0	307,523
Other service expenses	103	116,150	29,419	3,084	19,073	125,725	189,350	0	482,904
Depreciation, amortisation and impairment	5	1,144	22,167	6	3,632	6,655	229	0	33,838
Interest payments	0	0	0	0	0	0	0	24,390	24,390
Precepts and levies	0	625	18,046	0	22,071	0	0	0	40,742
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	0	6,859	6,859
Other expenditure	0	0	0	0	0	0	0	626	626
Total Expenditure	2,238	155,007	108,169	7,776	60,914	334,913	195,990	31,875	896,882
Income									
Fees, charges and other service income									
Non IFRS 15	0	0	0	0	0	0	0	0	0
IFRS 15	(108)	(10,284)	(27,553)	(1,789)	(10,134)	(23,658)	(58,488)	0	(132,014)
Total Fees, chares and other service income	(108)	(10,284)	(27,553)	(1,789)	(10,134)	(23,658)	(58,488)	0	(132,014)
Interest and investment income	0	0	0	0	0	0	0	(274)	(274)
Income from local taxation	0	0	0	0	0	0	0	(269,803)	(269,803)
Government grants and contributions	0	(102,715)	(1,131)	0	(6,656)	(218,479)	(31,961)	(104,559)	(465,501)
Other income	0	0	0	0	0	0	0	(1,167)	(1,167)
Total Income	(108)	(112,999)	(28,684)	(1,789)	(16,790)	(242,137)	(90,449)	(375,803)	(868,759)
Surplus or Deficit for Year	2,130	42,008	79,485	5,987	44,124	92,776	105,541	(343,928)	28,123

(Restated) 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
Expenditure	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	Restated £000
Employee benefits expenses	1,943	2,703	34,692	34,066	4,350	13,214	184,582	5,537	(6)	0	281,081
Other service expenses	39	31,582	96,915	30,750	4,175	20,766	124,978	174,420	152	0	483,777
Depreciation, amortisation and impairment	5	0	1,004	10,670	6	3,760	6,278	374	179	0	22,276
Interest payments	0	0	0	0	0	0	0	0	0	25,327	25,327
Precepts and levies	0	0	149	17,760	0	22,124	0	0	0	0	40,033
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	0	0	0	11,476	11,476
Other expenditure	0	0	0	0	0	0	0	0	0	605	605
Total Expenditure	1,987	34,285	132,760	93,246	8,531	59,864	315,838	180,331	325	37,408	864,575
Income											
Fees, charges and other service income											
Non IFRS 15	0	0	0	0	0	0	0	0	0	0	0
IFRS 15	(16)	2,155	(11,038)	(12,444)	(1,029)	(8,239)	(29,144)	(56,246)	(3,643)	0	(119,644)
Total Fees, chares and other service income	(16)	2,155	(11,038)	(12,444)	(1,029)	(8,239)	(29,144)	(56,246)	(3,643)	0	(119,644)
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	(232,978)	(232,978)
Government grants and contributions	0	(32,104)	(91,734)	0	0	(1,286)	(201,593)	(31,690)	0	(111,442)	(469,849)
Other income	0	0	0	0	0	0	0	0	0	(259)	(259)
Total Income	(16)	(29,949)	(102,772)	(12,444)	(1,029)	(9,525)	(230,737)	(87,936)	(3,643)	(344,930)	(822,981)
Surplus or Deficit for Year	1,971	4,336	29,988	80,802	7,502	50,339	85,101	92,395	(3,318)	(307,522)	41,594

Note 14 - Property, Plant and Equipment

Movements to 31 March 2022

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2021	477,314	38,533	210,699	28,584	7,497	10,902	773,529
<i>Adjustments to cost/value & depreciation/impairment</i>							
Additions	9,583	1,365	12,003	540	30	7,959	31,480
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,802	0	0	0	2,220	0	8,022
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(850)	0	0	0	21	0	(829)
Derecognition – disposals	(986)	(60)	0	0	(370)	0	(1,416)
Derecognition – other	0	0	(13,663)	0	0	0	(13,663)
Reclassifications and transfer	1,508	0	0	0	(1,508)	0	0
at 31 March 2022	492,371	39,838	209,039	29,124	7,890	18,861	797,123
Accumulated Depreciation and Impairment							
at 1 April 2021	(2,534)	(27,223)	(72,770)	0	0	0	(102,527)
<i>Adjustments to cost/value & depreciation/impairment</i>							
Depreciation charge	(13,671)	(2,155)	(18,009)	0	(1)	0	(33,836)
Depreciation written out to the Revaluation Reserve	13,369	0	0	0	1	0	13,370
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,522	0	0	0	0	0	1,522
Derecognition – disposals	42	42	0	0	0	0	84
Derecognition – other	0	0	6,109	0	0	0	6,109
Reclassifications and transfer	0	0	0	0	0	0	0
at 31 March 2022	(1,272)	(29,336)	(84,670)	0	0	0	(115,278)
Net Book Value							
at 31 March 2022	491,099	10,502	124,369	29,124	7,890	18,861	681,845
at 31 March 2021	474,780	11,310	137,929	28,584	7,497	10,902	671,002

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
Cost or Valuation at 1 April 2020	473,002	43,222	192,654	28,320	10,246	4,080	751,524
<i>Adjustments to cost/value & depreciation/impairment</i>							
Additions	4,400	674	18,422	269	116	7,769	31,650
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,050	0	0	0	382	0	10,432
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)
at 31 March 2021	477,314	38,533	210,699	28,584	7,497	10,902	773,529
Accumulated Depreciation and Impairment							
at 1 April 2020	(1,673)	(28,721)	(65,070)	0	(67)	0	(95,531)
<i>Adjustments to cost/value & depreciation/impairment</i>							
Depreciation charge	(11,147)	(3,258)	(7,700)	0	(13)	10	(22,108)
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 transfers	(91)	16	0	0	67	(10)	(18)
at 31 March 2021	(2,534)	(27,223)	(72,770)	0	0	0	(102,527)
Net Book Value							
at 31 March 2021	474,780	11,310	137,929	28,584	7,497	10,902	671,002
at 31 March 2020	471,329	14,501	127,584	28,320	10,179	4,080	655,993

During 2021/22, no schools have transferred out of Local Authority control to an Academy. A number of vehicles, plant and equipment assets have been disposed during the year.

As at 31st March 2022, capital commitments outstanding for the acquisition of items of Property, Plant and Equipment totaled £55.0m (£11.2m in 2020/21).

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 2021/22, 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, several 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 2021/22 was 31st March 2022.

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

Class of Asset	Useful Life (Years)
Land	Indeterminable
Buildings	1-80
Vehicles, plant, furniture and equipment	1-40
Infrastructure	10-120
Surplus assets	3 to 24, or indeterminable

Carrying Value measured against Fair Value

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

	Other Land and Buildings	Surplus Assets	Total
	£000	£000	£000
Carried at historical cost	175,849	1,995	177,844
Valued at current value as at:			
31/03/2022	458,136	7,885	466,021
31/03/2021	9,749	5	9,754
31/03/2020	8,578	0	8,578
31/03/2019	6,388	0	6,388
31/03/2018	9,520	0	9,520
Total Cost or Valuation	492,371	7,890	500,261

Note 15 - Heritage Assets

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

2021/22	Decorative Arts	Buildings	Civic Regalia	Transport	Fine Art	Total
	£000	£000	£000	£000	£000	£000
Opening Balance	4,418	757	454	1,088	11,694	18,411
Donations	100	0	0	0	0	100
Revaluations	0	0	0	0	372	372
Closing Balance	4,518	757	454	1,088	12,066	18,883
Proceeds of Sale	0	0	0	0	0	0

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

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.

The table above includes an additional donated item, a Wilfred Owen Sculpture located on the corner of Duncan Street and Hamilton Street, Birkenhead.

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 several 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 18th and 19th century, by artists including the Liverpool School artist, Philip Wilson Steer and other leading local artists, within a collection of over 6,000 separate pieces. Values of the highest twenty-five pieces range between £60,000 to £720,000. Valuations are based on a revaluation carried out in 2021/22 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 2021/22, 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.

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 2021		31st March 2022
£000	Investment Property Income and Expenditure	£000
(1,098)	Rental income from investment property	(2,045)
980	Direct operating expenses from investment property	878
(118)	Net (gain)/loss	(1,167)

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

31st March 2021		31st March 2022
£000	Investment Properties Movements in Year	£000
24,680	Opening Balance	19,033
0	Subsequent expenditure	1
0	Disposals	(78)
(5,759)	Net gains/losses from fair value adjustments	(10)
	Transfers:	
110	to/from Property Plant and Equipment	0
2	Other changes	0
19,033	Balance at the end of the year	18,946

The Council has not acquired any significant new Investment Properties during the year. A plot at Tarran Industrial Estate was sold during the year and an advertising hoarding on North Chester Road was demolished during 2021/22.

Fair Value Hierarchy for Investment Properties

Details of the Council's Investment Properties and information about the Fair Value hierarchy as at 31st March 2022 are shown in the following table:

	2020/21				2021/22			
	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2021	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000
Recurring fair value measuring usage								
General Buildings & Sites	0	14,571	0	14,571	0	14,493	0	14,493
Industrial Sites	0	4,462	0	4,462	0	4,453	0	4,453
Total	0	19,033	0	19,033	0	18,946	0	18,946

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.

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 2021/22 was £0.002m (2020/21 £0.168m).

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

31 March 2021			31 March 2022	
Other Assets	Total		Other Assets	Total
£000	£000		£000	£000
		Balance at start of year:		
4,378	4,378	Gross carrying amounts	4,400	4,400
(4,213)	(4,213)	Accumulated amortisation	(4,381)	(4,381)
165	165	Net carrying amount at start of year	19	19
22	22	Additions (acquired separately)	0	0
0	0	Other derecognition	(21)	(21)
(168)	(168)	Amortisation for the period	(2)	(2)
0	0	Amortisation written out on other	4	4
19	19	Net carrying amount at end of year	0	0
		Comprising:		
4,400	4,400	Gross carrying amounts	4,379	4,379
(4,381)	(4,381)	Accumulated amortisation	(4,379)	(4,379)
19	19	Total	0	0

The only intangible asset not fully amortised as at 31st March 2021, was the CIPFA Closedown software, and is no longer offered or supported by CIPFA. It has therefore been derecognised in the accounts in 2021/22.

The remaining intangible assets acquired in previous years are all fully amortised.

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, Public Sector Social Investment fund managers and CCLA.

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 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000	£000	£000
IFRS 9 Categories						
Amortised cost	0	1,494	22,327	18,973	22,327	20,467
Fair value through profit and loss	9,963	9,823	0	0	9,963	9,823
Total financial assets	9,963	11,317	22,327	18,973	32,290	30,290

Current Financial Assets								
	Investments (Restated)		Debtors		Cash		Total (Restated)	Total
	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000
IFRS 9 Categories								
Fair value through profit and loss	5,926	6,024	0	0	23,896	46,964	29,822	52,988
Amortised cost	12	1,291	39,122	39,278	5,960	18	45,094	40,587
Fair value through other comprehensive income - designated equity instruments	1,036	990	0	0	0	0	1,036	990
Fair value through other comprehensive income	0	0	0	0	0	0	0	0
Total financial assets	6,974	8,305	39,122	39,278	29,856	46,982	75,952	94,565

Non-Current Financial Liabilities						
	Borrowings		PFI liabilities		Total	Total
	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000	£000	£000
Fair value through profit and loss						
Amortised cost	(149,434)	(145,268)	(34,447)	(31,216)	(183,881)	(176,484)
Total financial liabilities	(149,434)	(145,268)	(34,447)	(31,216)	(183,881)	(176,484)

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

	31 March 2021	31 March 2022
	£000	£000
Financial instrument	39,122	39,278
Non Financial Instrument	50,118	45,546
Total	89,240	84,824

Current Financial Liabilities										
	Borrowings		Creditors		PFI Liability		Bank Overdraft		Total	Total
	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value through profit and loss									0	0
Amortised cost	(101,198)	(71,919)	(38,578)	(43,929)	(2,465)	(3,187)	(8,586)	(6,195)	(150,827)	(125,230)
Total financial liabilities	(101,198)	(71,919)	(38,578)	(43,929)	(2,465)	(3,187)	(8,586)	(6,195)	(150,827)	(125,230)

The following table show the split of Creditors note, by financial and non-financial instruments.

	31 March 2021	31 March 2022
	£000	£000
Financial instrument	(38,578)	(43,470)
Non Financial Instrument	(42,865)	(70,350)
Total	(81,443)	(113,820)

There is a requirement under onerous contracts to recognise a creditor for Kingsway School. £1.376m has been recognised in 2021/22 (£917k in current Other Payables and £459k in long-term Other Payables), this recognises the unavoidable costs of meeting the obligation under the PFI contract, for a period of 18 months.

2020/21		2021/22
£000		£000
0	Trade payables	0
(430)	Other payables	(459)
(430)	Total Long Term Creditors	(459)

Income, Expense, Gains and Losses	31/03/2021 (restated)		31 March 2022	
	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
Net gains/losses on:				
• financial assets measured at fair value through profit or loss	(101)	(83)	(113)	41
• financial assets measured at amortised cost	(68)	0	(116)	0
• investments in equity instruments designated at fair value through other comprehensive income	(28)	(113)	(22)	47
• financial liabilities measured at fair value through profit or loss	0	0	0	0
• financial liabilities measured at amortised cost	14,297	0	13,496	0
Total net gains/losses	14,100	(196)	13,245	88
Interest revenue:				
• financial assets measured at amortised cost	(68)	0	(116)	0
• financial assets measured at fair value through profit or loss	(101)	0	(113)	0
• other financial assets measured at fair value through other comprehensive income	(28)	0	(22)	0
Total interest revenue	(197)	0	(251)	0
Other Income	(94)	0	(23)	0

Financial Guarantees

The Council has given a number of financial guarantees in place to support the regeneration of the Borough. There are three key developments, Wirral Waters, Birkenhead Commercial District and the Hythe, of which three have financial guarantees in respect to the leases or acquisition of premises. The details of these guarantees are presented below; for 2021/22 accounts there is no liability required to be recognised.

Development	Narrative	Risk/Liability
The Hythe	A PUT/CALL option is in place whereby Peel Holding and Wirral Council have an agreement to sell/acquire the Hythe Office Development for a maximum period of three years post practical completion. This option applies if at any point the value exceeds the option price of £4.98m. Where the value exceeds £4.98m the Put cannot be called upon.	<p>The Put is where the Council would have to purchase the Hythe if it fails to reach its negotiated Option Price. Where the value exceeds this sum the Put option falls away.</p> <p>If the Put was called the Council would be required to purchase the site and capital borrowing would be required of £4.98m.</p> <p>If the Council invoked the Call option, it could obtain the building for less than £4.98m and further options would then be evaluated as to the best course of action for the Council.</p>
Birkenhead Commercial District	The Council will pay the headlease for 35 years post completion	<p>Two buildings are being constructed of which the Council intends to occupy one, therefore the Council carries no liability for failed lease income, from building 1, as budgets from exiting other buildings are available to fund the lease cost.</p> <p>If the Council did not occupy the building this would incur a cost starting at £1.34m per annum for thirty five years with an annual lease increase based on Retail Price Index increases under a cap and collar arrangement of between 1% and 4%.</p> <p>The second building will be leased and the highest liability if no occupancy occurred is £873k per annum for thirty five years with an annual RPI increase of between 1% and 4% under a cap and collar arrangement.</p> <p>To mitigate this risk however the Council is developing a detailed marketing and lettings strategy to identify potential end-users well in advance of the building reaching practical completion. The Council has also entered into early negotiations with a potential occupier, of significant covenant strength, who wishes to take the whole of the ground floor of building two.</p>

Development	Narrative	Risk/Liability
		<p>A risk reserve will be established in 2023/24 for this.</p> <p>The Council has an option between years 35 and 43 to purchase the sites for £1. The funder also has a 'put' option to transfer the assets between years 35 and 43 to the Council for £1.</p>
<p>Millers Quay (Wirral Waters One (Legacy))</p>	<p>Peel Legacy (Wirral Waters) Limited will take on a 250 year lease from Peel Holdings and will build the development. The scheme will be funded by Pension Insurance Corporation (PIC) who will take a 250 year lease from Peel Legacy. The Council will take a 50 year underlease of the 500 residential units and to pay PIC a fixed rent (increasing with RPI) and estate service charges to secure repayment of the loan with interest.</p>	<p>The Council will grant a sub-underlease to Peel who will manage the apartments for years 0-10 and take on the Council's rental obligations. This company will make rental payments to the Council at a level which will cover the Council's payments to PIC.</p> <p>From Years 11-50 the commercial risks will be transferred to the Council with the Council's Management Company being responsible for letting out the properties, managing the apartments and for securing the rental payments for the Council.</p> <p>At the end of the 50 year lease period the Council will have the ability to take up an option to acquire a lease for 200 years at a peppercorn rent from PIC of 350 of the residential units.</p> <p>The Council's commitment is its rental obligations, together with service charge payments made by the Council's management company, from years 11-50.</p> <p>In addition up-front Stamp Duty Land Tax (SDLT) will be payable in respect of the grant of the under lease. Peel have agreed to cover the cost of the SDLT.</p>

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 -	Fair Value Hierarchy Level	31 March 2021	31 March 2022
		£000	£000
FA Measured at Fair Value - Money Market Funds	1	23,897	46,964
FA Measured at Fair Value - Externally Managed Funds	1	16,925	16,837
Balance 31 March		40,822	63,801

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 2021		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities held at Amortised Cost	(250,632)	(394,132)	(217,187)	(323,650)
PFI and finance lease liabilities	(36,912)	(41,614)	(34,403)	(35,913)
Total	(287,544)	(435,746)	(251,590)	(359,563)

Financial Assets

	31 March 2021		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Cash & Cash Equivalents at Amortised Cost	5,960	5,960	18	18
Loans and Receivables at Amortised Cost	12	12	2,785	2,785
Long-Term Debtors	22,327	22,327	18,973	18,973
Total	28,299	28,299	21,776	21,776

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

31 March 2022				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Total
Financial Liabilities	(Level 1) £000	(Level 2) £000	(Level 3) £000	£000
Financial Liabilities held at amortised cost:				
Loans/Borrowings	0	(323,650)	0	(323,650)
PFI and finance lease liabilities	0	(35,913)	0	(35,913)
Total	0	(359,563)	0	(359,563)
Financial Assets				
Amortised Cost:				
Other loans and receivables	0	21,576	0	21,576
Total	0	21,576	0	21,576
31 March 2021				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Total
Financial Liabilities	(Level 1) £000	(Level 2) £000	(Level 3) £000	£000
Financial Liabilities held at amortised cost:				
Loans/Borrowings	0	(394,132)	0	(394,132)
PFI and finance lease liabilities	0	(41,614)	0	(41,614)
Total	0	(435,746)	0	(435,746)
Financial Assets				
Loans and Receivables:				
Other loans and receivables	0	28,299	0	28,299
Total	0	28,299	0	28,299

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 (£162.5m) is higher than the carrying amount (£89.2m) 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 (£25.8m) is greater than the carrying amount (£24.2m) 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.

Other Market Loans

The fair value (£74.1m) is higher than the carrying amount (£43.1m) because the Council's Market Long Term loan has an interest rate payable that is higher than the rates available for a similar loan at the balance sheet date.

Central Government and Local Government Loans

The fair value (£61.2m) is equal to the carrying amount as these loans consist of short term cashflow loans with a duration of less than 12 months (therefore Fair Value considerations are immaterial) and interest free loans which have zero interest considerations.

Private Finance Initiatives (PFI)

The fair value (£35.9m) 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

Short Term Debtors

2020/21			2021/22			
Gross Debtors £000	Expected Losses £000	Net Debtors £000		Gross Debtors £000	Expected Losses £000	Net Debtors £000
54,438	(17,709)	36,729	Trade Receivables	49,018	(18,396)	30,622
4,061	0	4,061	Prepayments	5,406	0	5,406
35,105	(20,962)	14,143	Local Taxation	36,909	(19,347)	17,562
34,576	(269)	34,307	Other Receivable Amounts	31,484	(250)	31,234
128,180	(38,940)	89,240	Total Debtors	122,817	(37,993)	84,824

Long Term Debtors

2020/21			2021/22			
Gross Debtors £000	Expected Losses £000	Net Debtors £000		Gross Debtors £000	Expected Losses £000	Net Debtors £000
4,454	(262)	4,192	Loans	5,809	(497)	5,312
18,135	0	18,135	Other Debtors	13,661	0	13,661
22,589	(262)	22,327	Total Long Term Debtors	19,470	(497)	18,973

Long-term debtors relate to debts for other authorities and associated liabilities of former Merseyside County Council historical debts for £13.402m and two caravan park sites for £0.259m. In addition, new loans were added during 2021/22 in relation to a Children's Home (We Are Juno) of £0.235m and Wirral Growth Company for £0.624m. In 2021/22 a short-term debtor was also reclassified to long-term debtors £0.200m. The remaining £4.253m of the balance relates to various regeneration loans (equity renewal/empty property loans and renovation loans) to third parties which are considered to be repayable over a period longer than twelve months.

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:

2020/21 £000	2021/22 £000
4,081	5,173
2,631	3,298
1,742	2,656
1,280	1,856
838	1,242
1,289	1,795
11,860 Total	16,020

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:

2020/21		2021/22
£000		£000
1,856	Cash and Bank balances	12,180
(10,442)	Bank Overdraft	(18,375)
(8,586)	Total Cash and Cash Equivalents	(6,195)

2020/21		2021/22
£000		£000
29,856	Short Term Investments	46,982
29,856	Total Cash and Cash Equivalents	46,982

Cash comprises cash on hand and on demand deposits. Cash equivalents are investments that are instantly repayable to the Council on demand and that are readily convertible to known amounts of cash with insignificant risk of a change in value. These are balances held in interest bearing call accounts and money market funds with institutions meeting our credit ratings.

Note 22 – Creditors

2020/21		2021/22
£000		£000
(30,100)	Trade payables	(35,105)
(51,343)	Other payables	(78,715)
(81,443)	Total Creditors	(113,820)

2020/21		2021/22
£000		£000
0	Trade payables	0
(430)	Other payables	(459)
(430)	Total Long Term Creditors	(459)

Note 23 - Provisions

The provisions figures shown in the Balance Sheet comprises of the following balances.

Total Provisions

2020/21	Total Provision	2021/22
£000		£000
(14,025)	Opening Balance	(15,528)
(3,084)	Increase in provision during year	(7,308)
1,339	Utilised during year	6,032
242	Unused amounts reversed	248
(15,528)	Closing Balance	(16,556)

Current Provisions

2021/22	Severance Pay	Insurance Fund	NNDR Appeals	Land Charges	Education Health & Care Plans	Late Penalty Fees	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(2,241)	(950)	(8,027)	(248)	(526)	0	(92)	(12,084)
Increase in provision during year	(1,755)	0	(4,555)	0	(266)	(300)	0	(6,876)
Utilised during year	2,241	0	3,542	0	249	0	0	6,032
Unused Amounts Reversed	0	0	0	248	0	0	0	248
Closing Balance	(1,755)	(950)	(9,040)	0	(543)	(300)	(92)	(12,680)

2020/21	Severance Pay	Insurance Fund	NNDR Appeals	Land Charges	Education Health & Care Plans	Other	Total
	£000	£000	£000	£000	£000	£000	£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
Closing Balance	(2,241)	(950)	(8,027)	(248)	(526)	(92)	(12,084)

Provisions

Severance Pay

The Council has identified funding that will be required for staff reductions in financial year 2021/22 that will cost £1.755m 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 2022/23 but also any backdated amount relating to earlier years. This will include decisions made in future years regarding appeals which may affect the 2022/23 and earlier financial years' business rates charges. The provision calculation is based upon data supplied by the Valuation Office at 31 March 2022 regarding outstanding and settled appeals.

Land Charges

For claims for searches carried out in previous years and is to cover any Council liability for claims for income incorrectly charged in respect of searches. The unused balance of £0.248m has been reversed in 2021/22.

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.

Late Penalty Fee

The provision of the £0.3m is for the final settlement of interest and costs arising from late payments by the Council.

Other Provisions

All other provisions are individually insignificant in being below £0.1m.

Long Term Provisions

2021/22	Insurance Fund £000	Total £000
Opening Balance	(3,444)	(3,444)
Increase in provision during year	(432)	(432)
Closing Balance	(3,876)	(3,876)

2020/21	Insurance Fund £000	Total £000
Opening Balance	(3,227)	(3,227)
Increase in provision during year	(217)	(217)
Closing Balance	(3,444)	(3,444)

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.

The Capital Receipts Reserve and Capital Grants Unapplied detailed in this note are held for capital purposes only.

Total Usable Reserves

31 March 2021	31 March 2022
£000	£000
(10,676) General Fund Balance	(10,676)
(114,632) Earmarked General Fund Reserves	(104,936)
(1,190) Capital Receipts Reserve	(6,182)
(24,429) Capital Grants Unapplied	(40,168)
(150,927) Balance 31 March	(161,962)

Capital Receipts Reserve

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

31 March 2021	31 March 2022
£000	£000
(513) Balance 1 April	(1,190)
(1,326) Capital Receipts in year	(4,383)
(135) Private Sector Housing Renewal Receipts in year	(153)
0 Deferred Receipts realised	(456)
4,469 Capital Receipts transferred to Capital Adjustment Account to repay debt	4,469
784 Capital Receipts used for financing	0
(4,469) Other movements	(4,469)
(1,190) Balance 31 March	(6,182)

Capital Grants Unapplied

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

31 March 2021	31 March 2022
£000	£000
(19,453) Balance 1 April	(24,429)
(13,139) Capital grants recognised in year	(27,171)
9,320 Capital grants and contributions applied	11,432
(1,157) Other movements	0
(24,429) Balance 31 March	(40,168)

Note 25 - Unusable Reserves

31 March 2021	31 March 2022
£000	£000
(275,702) Revaluation Reserve	(290,444)
109 Financial Instruments Revaluation Reserve	140
(96,780) Capital Adjustment Account	(77,270)
2,491 Financial Instruments Adjustment Account	2,402
531,815 Pension Reserve	460,054
(1,174) Deferred Capital Receipts Reserve	(464)
42,018 Collection Fund Adjustment Account	16,462
2,582 Accumulated Absences Account	4,615
(24) Pooled Investment Funds Adjustment Account	33
1,679 Dedicated Schools Grant Adjustment Account	1,690
207,014 Total	117,218

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.

31 March 2021	31 March 2022
£000	£000
(264,439) Balance 1 April	(275,702)
(30,734) Upward revaluation of assets	(24,278)
7,903 Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	2,514
(22,831) Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(21,764)
7,177 Difference between fair value depreciation and historical cost depreciation	6,275
4,391 Accumulated gains on assets sold or scrapped	747
11,568 Amount written off to the Capital Adjustment Account	7,022
(275,702) Balance 31 March	(290,444)

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, impaired, and when an investment is disposed of, and gains realised.

31 March 2021	31 March 2022
£000	£000
211 Balance 1 April	109
(102) Other movements	31
109 Balance 31 March	140

Capital Adjustment Account

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

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

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

31 March 2021 £000		31 March 2022 £000
(113,324)	Balance 1 April	(96,780)
22,108	Charges for depreciation and impairment of non-current assets	33,836
5,220	Revaluation losses on non-current assets	(693)
168	Amortisation of intangible assets	2
14,662	Revenue expenditure funded from capital under statute	11,439
4,469	Repayment of debt – Merseyside Residual Debt Fund	4,469
7,928	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	8,981
54,555	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	58,034
(11,568)	Adjusting Amounts written out of the Revaluation Reserve	(7,022)
0	Repayment of debt - Group company loan	2,250
42,987	Net written out amount of the cost of non-current assets consumed in the year	53,262
(784)	Use of Capital Receipts Reserve to finance new capital expenditure	0
(20,270)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(21,651)
(4,469)	Write-off Merseyside Residual Debt Fund receipt to long term debtors	(4,469)
(6,716)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(7,537)
(32,239)	Capital financing applied in year:	(33,657)
5,759	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	10
135	Public Sector Housing Loans	153
(98)	Capital expenditure charged against the General Fund and HRA balances	(158)
0	Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement	(100)
(96,780)	Balance 31 March	(77,270)

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 2022 the account had a balance of £2.402m (2020-21 £2.491m).

31 March 2021 £000		31 March 2022 £000
2,577	Balance 1 April	2,491
(86)	Downward revaluation of investments	(89)
(86)	Total Changes in revaluation and impairment	(89)
2,491	Balance 31 March	2,402

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.

31 March 2021		31 March 2022
£000		£000
472,389	Balance 1 April	531,815
34,910	Remeasurements of the net defined benefit (liability)/asset	(107,282)
50,097	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	61,697
(25,581)	Employer's pensions contributions and direct payments to pensioners payable in the year	(26,176)
531,815	Balance 31 March	460,054

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 2022 the reserve had a balance of £0.464m (2020/21 £1.174m).

31 March 2021		31 March 2022
£000		£000
(273)	Balance 1 April	(1,174)
(901)	Other movements	710
(1,174)	Balance 31 March	(464)

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 2022, the account had a balance of £16.462m (2020/21 £42.018m), representing the Council's share of the overall Collection Fund balance.

31 March 2021	31 March 2022
£000	£000
(399) Balance 1 April	42,018
42,417	(25,556)
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	
42,018 Balance 31 March	16,462

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 £4.615m at 31 March 2022 (2020/21 debit balance of £2.582m).

31 March 2021	31 March 2022
£000	£000
3,009 Balance 1 April	2,582
(3,009)	(2,582)
Settlement or cancellation of accrual made at the end of the preceding year	
0	1,257
Amounts accrued relating to prior year	
3,840	3,358
Amounts accrued at the end of the current year	
(427)	2,033
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	
2,582 Balance 31 March	4,615

Pooled Fund Adjustment Account

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

31 March 2021	31 March 2022
£000	£000
69 Balance 1 April	(24)
(93) Changes in fair value of pooled investments	57
(24) Balance 31 March	33

Dedicated Schools Grant Adjustment Account

The Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) 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.

31 March 2021	31 March 2022
£000	£000
0 Balance 1 April	1,679
1,265 Adjust opening balance	0
1,265 Revised balance 1 April	1,679
414 Movements in Year	11
1,679 Balance 31 March	1,690

Note 26 - Cash Flow Statement: Operating Activities

The cash flows for operating activities include the following items:

2020/21		2021/22
£000		£000
(290)	Interest received	(274)
14,297	Interest paid	13,496
14,007	Total	13,222

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2020/21		2021/22
£000		£000
(22,108)	Depreciation	(33,836)
(5,220)	Impairment and downward valuations	693
(168)	Amortisation	(2)
(2,189)	(Increase)/decrease in impairment for bad debts	712
(12,448)	(Increase)/decrease in creditors	(8,632)
(3,337)	Increase/(decrease) in debtors	(5,311)
(31)	Increase/(decrease) in inventories	184
(24,516)	Movement in pension liability	(35,521)
(7,910)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(8,980)
(1,546)	Other non-cash movements charged to the surplus or deficit on provision of services	1,047
(79,473)	Total	(89,646)

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

2020/21		2021/22
£000		£000
1,326	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,133
24,256	Capital Grants credited to surplus or deficit on the provision of services	37,229
25,582	Total	39,362

Note 27 - Cash Flow Statement: Investing Activities

The cash flows for investing activities include the following:

2020/21		2021/22
£000		£000
31,672	Purchase of property, plant and equipment, investment property and intangible assets	31,481
31,944	Purchase of short-term and long-term investments	2,775
131	Other payments for investing activities	0
(1,326)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,133)
(69,950)	Proceeds from short-term and long-term investments	(37,229)
(8,029)	Other receipts from investing activities	(3,118)
(15,558)	Net cash flows from investing activities	(8,224)

Note 28 - Cash Flow Statement: Financing Activities

The cash flows for financing activities include the following items:

2020/21		2021/22
£000		£000
(55,500)	Cash receipts of short-term and long-term borrowing	(8,384)
2,646	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	2,509
5,890	Repayments of short-term and long-term borrowing	42,300
42,417	Other payments for financing activities	(25,556)
(4,547)	Net cash flows from financing activities	10,869

Note 29 - Reconciliation of Liabilities Arising from Financing Activities

	1 April 2021	Financing cash flows	Non-cash changes Other non-cash changes	31 March 2022
	£000	£000	£000	£000
Long-term borrowings	(149,434)	(1,383)	5,549	(145,268)
Short-term borrowings	(101,198)	34,685	(5,406)	(71,919)
On balance sheet PFI liabilities	(36,912)	2,465	44	(34,403)
Total liabilities from financing activities	(287,544)	35,767	187	(251,590)

	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)
Total liabilities from financing activities	(348,690)	61,054	92	(287,544)

Analysis of PFI liability is detailed below:

	31 March 2021	31 March 2022
	£000	£000
On balance sheet PFI liabilities - Short Term	(2,465)	(3,187)
On balance sheet PFI liabilities - Long Term	(34,447)	(31,216)
Total PFI liabilities from financing activities	(36,912)	(34,403)

Note 30 - Agency Services

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 2021/22, showing total income and expenditure within the year. Any unspent funding is held as a creditor and will be repaid.

2020/21	COVID-19 Agency Grants	2021/22
£000		£000
(99,127)	Income	(29,980)
82,812	Expenditure	31,118
(16,315)	Net Surplus (-) /Deficit on the Agency Arrangement	1,138

The Council also acts as an Agent in providing support services to external organisations. This is providing payroll services for schools which have turned into an Academy.

2020/21 £000	Payroll services	2021/22 £000
125	Expenditure incurred in providing payroll services to third party	126
(177)	Management fee payable by the third party	(185)
(52)	Net Surplus on the Agency Arrangement	(59)

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 deficit position of £2.8m. 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 21-22 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.

2020/21 £000	Revenue	2021/22 £000
Funding provided to the pooled budget:		
(68,191)	Wirral Council	(71,974)
(54,883)	Wirral Clinical Commissioning Group	(164,678)
(123,074)	Total	(236,652)
Expenditure met from the pooled budget:		
85,425	Wirral Council	88,009
37,324	Wirral Clinical Commissioning Group	151,479
122,749	Total	239,488
(325)	Net deficit arising on the pooled budget during the year	2,836
(163)	Cost of the Council's share of the deficit on the pooled budget for the year	1,418

2020/21 £000	Capital (Disabled Facilities grant and Social Care)	2021/22 £000
	Funding provided to the pooled budget:	
(4,163)	Wirral Council	(4,724)
0	Wirral Clinical Commissioning Group	0
(4,163)	Total	(4,724)
	Expenditure met from the pooled budget:	
4,163	Wirral Council	4,724
0	Wirral Clinical Commissioning Group	0
4,163	Total	4,724
	0 Net surplus arising on the pooled budget during the year	0
	Cost of the Council's share of the deficit on the pooled	
	0 budget for the year.	0

Note 32 - Members' Allowances

During the year Members' allowances, including Employer's costs totaled £768k (2020/21 £757k) as set out in the table:

2020/21 £000	2021/22 £000
756	767
1	1
757	768

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:

2021/22	Employment Period	Notes	Salaries £	Expenses Allowances £	Pension Contribution £	Total £
Chief Executive (Paul Satoor)	01/04/21 - 31/03/22		188,723	0	28,605	217,328
Assistant Chief Executive	01/04/21 - 31/03/22		80,445	0	23,557	104,002
Director of Regeneration and Places	01/04/21 - 31/03/22		119,849	0	20,374	140,223
Director of Neighbourhood Services	01/04/21 - 31/03/22		119,849	0	20,374	140,223
Director of Children, Families and Education	01/04/21 - 31/03/22		121,566	0	20,666	142,232
Director for Adults' Care and Health and Strategic Commissioning	01/04/21 - 31/03/22		123,877	0	21,059	144,936
Director of Public Health	01/04/21 - 31/03/22		101,759	0	14,633	116,392
Director of Law and Governance (Monitoring Officer)	01/04/21 - 31/03/22	a	127,295	0	21,200	148,495
Director of Resources (S151 Officer)	01/04/21 - 31/03/22		124,705	0	21,200	145,905
TOTAL			1,108,068	0	191,668	1,299,736

a) received additional pay for electoral duties

2020/21	Employment Period	Notes	Salaries £	Expenses Allowances £	Pension Contribution £	Total (restated) £
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
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
TOTAL			1,126,802	55	201,778	1,328,635

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

The table below shows remuneration over £50,000 to employees in bands of £5,000, including senior officers shown in the previous tables. Changes within bands are primarily due to the impact of pay awards, so people move up the bands and not solely due to additional staff being employed. 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.

Officers Remuneration

	Number of Employees	
	2020/21	2021/22
£50,001 to £55,000	150	151
£55,001 to £60,000	66	68
£60,001 to £65,000	44	46
£65,001 to £70,000	53	41
£70,001 to £75,000	27	34
£75,001 to £80,000	14	20
£80,001 to £85,000	12	9
£85,001 to £90,000	6	4
£90,001 to £95,000	7	7
£95,001 to £100,000	1	2
£100,001 to £105,000	4	3
£110,001 to £115,000	2	0
£115,001 to £120,000	1	3
£120,001 to £125,000	3	3
£125,001 to £130,000	0	2
£155,001 to £160,000	1	0
£165,001 to £170,000	1	0
£185,001 to £190,000	0	1
Total	392	394

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)	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £000	2021/22 £000
£0-£20,000	0	0	13	65	13	65	127	607
£20,001 - £40,000	0	0	13	20	13	20	361	521
£40,001 - £60,000	0	0	4	0	4	0	196	0
£60,001 - £80,000	0	0	1	0	1	0	63	0
Total	0	0	31	85	31	85	747	1,128

Note 34 - External Audit Costs

The Councils auditors are Grant Thornton and will incur audit fees of £277k relating to the external audit. The costs reported for 2020/21 include additional costs of £47k for other services provided. The Council has received £63.4k of grant from central government to support the rise in fees.

2020/21 £000		2021/22 £000
257	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	230
50	Fees payable in respect of other services provided by external auditors during the year	47
307	Total	277

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 2021/22 are as follows:

DSG Receivable for 2021/22	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies recoupment			301,470
Academy figure recouped for year			(113,713)
Total DSG after academy recoupment			187,758
Plus: Brought forward from previous year			(1,679)
Less: Carry forward to following year (agreed in advance)			0
Agreed initial budgeted distribution in year	34,700	151,379	186,079
In year adjustments	0	80	80
Final budget distribution for year	34,700	151,459	186,159
Less: Actual central expenditure	(36,470)	0	(36,470)
Less: Actual ISB deployed to schools	0	(151,379)	(151,379)
Plus: Local Authority contribution for year	0	0	0
Carry forward to 2022/23	(1,770)	80	(1,690)

At 31st March 2022 the Dedicated Schools Grant reserve has a debit balance to the value of £1.690m which represents a deficit position to be carried forward into 2022/23. The deficit position is mainly due to additional pressure in the High Needs block. Wirral Council is actively developing a plan to recoup the deficit

Comparative table for 2020/21

DSG Receivable for 2020/21	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies recoupment			278,212
Academy figure recouped for year			(103,744)
Total DSG after academy recoupment			174,468
Plus: Brought forward from previous year			(1,264)
Less: Carry forward to following year (agreed in advance)			0
Agreed initial budgeted distribution in year	31,529	141,675	173,204
In year adjustments	0	(485)	(485)
Final budget distribution for year	31,529	141,190	172,719
Less: Actual central expenditure	(32,723)	0	(32,723)
Less: Actual ISB deployed to schools	0	(141,675)	(141,675)
Plus: Local Authority contribution for year	0	0	0
Carry forward to 2021/22	(1,194)	(485)	(1,679)

Note 36 - Grant Income

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22. The 2020/21 figures have been restated to correct for classification changes. During 2021/22, new grants were received compared to 2020/21 relating principally to Covid-19 although total Covid grants have reduced over time. There are also new grants associated with the Council taking on new responsibilities and receiving additional funding as a result:

2020/21 (restated) £000	Credited to Taxation and Non-Specific Grant Income	2021/22 £000
	Revenue Grants:	
(33,358)	Grant to Compensate for Changes to Business Rates S31	(23,779)
(18,249)	Covid-19 Support	(10,006)
(11,263)	Social Care Support Grant	(14,642)
(11,011)	Covid-19 Sales Fees & Charges Compensation	(1,797)
(5,472)	Schools Private Finance Initiative	(5,471)
(3,839)	Local Income Tax Guarantee	(3,351)
(1,523)	Independent Living Fund Grant	(1,523)
(542)	New Homes Bonus Grant	(178)
(505)	Local Council Tax Support Administration Grant	(515)
(258)	Local Reform and Community Voices	(258)
0	Local Council Tax Support Grant	(3,943)
0	Lower Tier Services Grant	(484)
(712)	Covid Clinically Extremely Vulnerable Grant	(383)
0	New Burdens - Local Restrictions, Christmas & Closed Business payments	(291)
(255)	Staying Put	(255)
(156)	Other Revenue Grants less than £250K	(309)
(87,143)	Total Revenue Grants	(67,185)
	Capital Grants:	
(8,297)	Local Transport Grant	0
(4,724)	Disabled Facilities Grant	(4,724)
(3,564)	School Condition	(4,770)
(2,325)	Housing Infrastructure Fund / Northbank Wirral Waters	(3,203)
(1,366)	Sustainable Transport Enhance Programme	0
(1,000)	Towns Fund (Birkenhead)	0
(849)	Special Provision Capital Fund	0
(640)	Northbank West Cycle Scheme	0
(572)	Formula Capital	(588)
(150)	Future High Streets Fund - Birkenhead	(11,871)
0	Transport Supplementary Grant	(4,690)
0	Liverpool City Region contribution to construction of housing units on former House of Fraser site in Birkenhead	(2,110)
0	West Kirby Flood Alleviation	(984)
0	Birkenhead Town Deal Fund	(693)
0	Key Route Network	(537)
0	Future High Streets Fund - New Ferry	(504)
0	Liscard Town Centre	(307)
0	Section 106 Grants and Contributions (various)	(773)
0	Liverpool City Region contribution to pre-development works supporting the Birkenhead 2040 Framework	(303)
(769)	Other Capital Grants (less than £250K)	(1,172)
(24,256)	Total Capital Grants	(37,229)
(111,399)	Total credited to Taxation and Non-Specific Grant Income	(104,414)

There was a significant increase in availability of capital grant funding in 2021/22 compared to 2020/21. The more significant changes relate principally to new Future High Streets funding for Birkenhead and New Ferry, and additional funding for a number of new capital works; including the Transport Supplementary Grant, Housing Infrastructure Fund and flood alleviation works at West Kirby.

Grant Income Credited to Services

The following table has been restated to disclose a small number of grants not included in the disclosure note relating to 2021/22.

2020/21 (restated) £000	2021/22 £000
(173,568) Dedicated Schools Grant	(187,838)
(88,866) Housing Benefits	(84,877)
(29,868) Public Health Grant	(30,142)
(12,493) Pupil Premium	(12,480)
(4,502) Teachers' Pension Employers' Contribution Grant & Supplementary Fund	(296)
(2,716) Universal Infant Free School Meals	(2,658)
(1,545) Teachers' Pay Grant	(105)
(1,356) Physical Education and Sports Grant	(1,606)
(1,286) Wirral Ways to Work	(966)
(1,238) Sixth Form Funding	(1,448)
(1,146) Housing Benefits Administration Grant	(1,146)
(1,103) Discretionary Housing Payments	(536)
(1,102) Troubled Families	0
(1,003) Covid-19 Catch Up Premium	(1,188)
(950) Community Discharge Grant	0
(872) Step Up to Social Work	(298)
(825) 16-19 Further Education	(1,336)
(565) Youth Justice Board	(613)
(455) Free School Meals Supplementary	0
(360) School improvement/monitor/brokerage grant	(333)

2020/21 (restated) £000	2021/22 £000
(323) Adoption Support Fund	0
(316) Holiday Activities & Food Programme	(1,159)
(228) Asylum Seekers	(995)
0 Syrian Resettlement Programme	(1,444)
0 Project ADDER (Addiction, Disruption, Diversion, Enforcement, Recovery) Accelerator programme	(1,400)
0 Homelessness Prevention Grant	(852)
0 High Intensity Therapeutic Interventions Programme	(833)
0 Domestic Abuse Act New Burdens	(760)
0 Recovery Premium Allocations	(706)
0 Supporting Families Service Transformation Fund	(700)
0 School Led Tutoring Grant	(671)
0 Next Step Accommodation Program Grant	(615)
0 Rough Sleeper Initiative	(537)
0 Urban Development Corporation Competition	(485)
0 Community Safety Partnership	(453)
0 Supporting Families	(419)
0 Safer Streets Project	(402)
0 Mass Testing Funding	(320)
(107) Social Workers in Schools	(318)
0 Weight Management Grant	(287)
(61) We Can Talk About Domestic Abuse	(285)
0 Maritime Accelerator Project/Port City	(279)
(452) Other Grants (less than £250k)	(3,014)
(31,101) Covid - Principal Credited to Services	(16,142)
(358,407) Total	(360,942)

Covid-19 Grant Income

The agency table below has been restated to reflect that the correct classification of s31 grants for business rates relief relating to 2020/21.

2020/21 (restated)	2021/22
£000 Covid Grant Classification	£000
Principal - Taxation and Non Specific	
(12,076) Emergency Covid-19 Funding (Tranche 1 to 5)	(10,006)
(33,430) Section 31 Grants - Business Rates Relief	(12,800)
(17,897) Other (less than £10m)	(2,624)
(63,403) Total Principal Taxation and Non Specific	(25,430)
(31,101) Total Principal - Credited to Services	(16,142)
Agent (income and expenditure excluded from the Comprehensive Income and Expenditure Statement)	
(49,970) Small Business Grant Fund (SBGF) & Retail, Hospitality and Leisure Grant Fund (RHLGF)	0
0 Covid Business Restart Grant	(14,194)
(15,462) BEIS - Local Restriction Support Grants (LRSG) Closed Business Lockdown Payment (One-off)	0
(33,695) Other (less than £10m)	(15,786)
(99,127) Total - Agent	(29,980)
(193,631) Total - Covid Grants	(71,552)

Other Grants

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 31st March 2022 are as follows:

2020/21	2021/22
£000	£000
(190) Cluster of Empty Homes	(188)
(67) Mulberry Properties	(67)
(257) Total	(255)

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	Restated Precept / Levy 2020/21 £000	Apportionment of Previous Years Deficit 2020/21 £000	Precept / Levy 2021/22 £000	Apportionment of Previous Years Surplus 2021/22 £000
Merseyside Police Authority	2	19,918	210	21,380	(269)
Merseyside Fire & Rescue Service	4	8,280	82	8,454	(466)
Merseyside Recycling and Waste Authority	2	17,387	0	17,666	0
Merseyside Port Health	6	105	0	105	0
Environment Agency	1	177	0	182	0
Liverpool City Region Combined Authority	10	23,908	20	23,861	(24)

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 £4.0m 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 services in 2021/22 amounted to £11.7m, these are detailed below, inclusive of VAT were applicable.

Wirral Evolutions Limited

The Council has significant influence over Wirral Evolutions Limited through its ownership of 100% of the shares in the company. The Council purchased adult social care services to the value of £6.22m from the company in 2021/22 (£6.38m in 2020/21).

Overall, the liability Wirral Council holds with the company is £3.36m related to the Merseyside Pension Fund liability.

On the 3rd March 2022, a meeting held with Elected Members from all parties made a decision that Wirral Evolutions Ltd is to be brought back into the Council, within a six-month period from the 1st April 2022.

Edsential CIC

The Council also has significant influence over Edsential Community Interest Company through its ownership of 50% of the shares in the company and having 1 senior officer on the board. This is a joint venture with Cheshire West and Chester Council to provide services to the Education sector.

The Council purchased services from the company to the value of £5.71m in 2021/22 (£3.02m in 2020/21).

Overall, the share of liability Wirral holds in the company is £1.56m. This is in part related to the 50% share of the cumulative deficit the company reported £0.89m, of which £0.67m relates to the Merseyside Pension Fund element of Edsential's pension liability of £0.67m (£1.6m in 2020/21).

The Council has provided the company with a working capital loan with a balance as at the 31st March 22 of £1.50m of which it's provided for an expected credit loss provision of £0.25m

Wirral Growth Company Limited Liability Partnership

Wirral Growth Company Limited Liability Partnership has been set up to deliver the key regeneration agenda as a Limited Liability Partnership with Muse Holdings Ltd. In 2022/22 there were no costs to the Council, however they did provide a capital loan with a balance as at the 31st March 2022 of £0.53m.

Pension Guarantees

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 2022 and has not been reflected in the 2021/22 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 2021/22 is shown in the Members Allowances Note.

During 2021/22, works and services to the value of £18.0m (£14.9m in 2020/21) was commissioned from organisations and £5.7m (£1.0m in 2020/21) as charged to organisations in which Members had an interest. The year-end creditors balance owed to these organisations is £0.06m. And the debtors balance owed from the organisations is £1.6m.

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 2021/22:

Organisation	Member/Officer
Bee Wirral CIC	Cllr Julie McManus
Birkenhead Sixth Form College	Cllr Gillian Wood
Cafe Number 7	Cllr Moira McLaughlin
Class Training Limited	Cllr Michael Collins
E F Callister Youth Club	Cllr Allan Brame
Early Excellence Ltd	Cllr Brian Kenny
Eastham Community Centre Limited	Cllr Phil Gilchrist
Foundation Years Trust	Officer Elizabeth Hartley
Friends Of Birkenhead Kennels	Cllr Lesley Rennie
Gautby Road Joint Management Committee	Cllr Elizabeth Grey Cllr Brian Kenny Cllr Julie McManus
Greasby Community Association	Cllr Tom Anderson Cllr Wendy Clements
Hilbre High School (Academy)	Officer Mike Cockburn
Impact North West Limited	Cllr Helen Collinson
Leasowe Play Youth Community Association	Cllr Helen Collinson Cllr Karl Greaney
LexisNexis	Officer Philip McCourt
Liverpool City Region Growth Company Limited	Cllr Gillian Wood
Magenta Living	Cllr Julie McManus
Manchester Port Health Authority	Cllr Steve Foulkes Cllr Elizabeth Grey
Mersey Maritime Limited	Cllr Tony Jones
Merseyside Society for Deaf People (MSDP)	Cllr Irene Williams
New Brighton Community Assoc	Cllr Tony Jones
North Birkenhead Development Trust Limited	Cllr Brian Kenny

North West Employers Organisation	Cllr Adrian Jones Cllr Janette Williamson
Overton Community Centre Limited	Cllr Jean Robinson
Tam O'Shanter Urban Farm Trust	Cllr Bruce Berry Cllr Steve Foulkes Cllr Gillian Wood
The Barnstondale Centre	Officer Vicki Shaw
The Hive	Officer Kerry Mehta
The Revival Hub CIC	Cllr Helen Collinson
Thornton Hough Village Hall	Cllr Yvonne Nolan
Weightmans LLP	Officer Philip McCourt
Wirral Citizens Advice Bureau Limited	Cllr Karl Greaney
Wirral Development Trust	Cllr Helen Collinson Cllr Karl Greaney
Wirral Multicultural Organisation	Cllr Ivan Camphor Cllr Pat Cleary Cllr Stuart Kelly Cllr Janette Williamson
Wirral University Teaching Hospital NHS FT	Cllr Irene Williams Cllr Michael Collins Cllr Kathy Hodson

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 2021/22.

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 2021/22.

Company	Control / Interest	Directors	Company Status	Members and Officers of the Council held interests
Edsential CIC	Joint Venture	Alison Ashley Helen Brackenbury Ian Philip McGrady Elaine McGunigall Jane Helen Owens Mark Parkinson Sharon Senn Nicola Wetton Adrian Francis Whiteley <u>Wirral Officer:</u> James Backhouse	Active	Officer James Backhouse
Wirral Growth Company LLP	Limited liability Partnership	Muse Developments Ltd Wirral Borough Council	Active	Cllr Tony Jones Officer Simone White Officer Daniel Kirwan
Wirral Evolutions Ltd	Subsidiary	Lisa Knight Michael Howard Naden Jean Stephens Pamala Joyce Williams	Active	
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 £45.6m with funding set aside and adjustments of £36m. The overall Capital Financing requirement will be funded from a combination of future revenue contributions, capital receipts and external funding. Revenue expenditure funded from capital under statute (REFCUS) of £13.6m includes capitalisation directive costs of £5.9m.

2020/21		2021/22
£000		£000
348,522	Opening Capital Financing Requirement	362,649
	Capital Investment:	
31,650	Property Plant and Equipment	31,480
0	Investment Property	1
22	Intangible Assets	0
14,662	Revenue Expenditure Funded from Capital Under Statute	13,619
131	Other Capital Expenditure	458
46,465	Total Capital Spending	45,558
	<u>Sources of Finance:</u>	
(784)	Capital receipts - Applied to Capital Expenditure	0
(4,469)	Capital receipts - Applied to MRDF	(4,469)
(20,270)	Government Grants and other contributions	(21,651)
0	Adjustment to prior years financing	(2,180)
	<u>Sums set aside from revenue:</u>	
(99)	- Direct revenue contributions	(158)
(6,716)	- Minimum revenue provision	(7,537)
(32,338)	Total Sources of Finance	(35,995)
362,649	Closing Capital Financing Requirement	372,212
Explanation of movements in year		
Restated		2021/22
2020/21		£000
£000		
14,127	Increase in underlying need to borrow (unsupported by government financial assistance)	9,563
14,127	Increase/(decrease) in Capital Financing Requirement	9,563

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	5 Years
Wirral Country Park Caravan Site (Static)	The Caravan Club Ltd	27 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 2021		31 March 2022
£000		£000
	Finance lease debtor (net present value of minimum lease payments):	
4	- current	5
264	- non-current	264
259	Unearned finance income	240
527	Gross investment in the lease	509

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 2021	31 March 2022		31 March 2021	31 March 2022
£000	£000		£000	£000
19	19	Not later than one year	8	8
75	75	Later than one year and not later than five years	29	28
433	415	Later than five years	79	74
527	509	Total	116	110

Authority as Lessee: Operating Leases

The Council was committed at 31 March 2022 to making payments of £1.2m under operating leases. The future minimum lease payments due under non-cancellable leases in future years are as follows:

31 March 2021	31 March 2022
£000	£000
(608) Not later than one year	(658)
(923) Later than one year and not later than five years	(569)
0 Later than five years	
(1,531) Total	(1,227)

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

31 March 2021	31 March 2022
£000	£000
(608) Minimum lease payments	(658)
(608) Total	(658)

Authority as Lessor: Operating Leases

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

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

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

31 March 2021	31 March 2022
£000	£000
1,513 Not later than one year	834
2,560 Later than one year and not later than five years	2,281
4,816 Later than five years	4,262
8,889 Total	7,377

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 £1.376m, 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:

Movement in PFI Assets			
2021/22	Leasowe Primary	South Wirral High	Total
	£000	£000	£000
Cost or Valuation			
at 1 April 2021	2,753	13,402	16,155
Additions	46	0	46
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(31)	355	324
at 31 March 2022	2,768	13,757	16,525
Accumulated Depreciation and Impairment			
at 1 April 2021	(0)	(0)	(0)
Depreciation charge	(50)	(387)	(437)
Depreciation written out to the Revaluation Reserve	50	387	437
at 31 March 2022	(0)	(0)	(0)
Net Book Value:			
at 31 March 2022	2,768	13,757	16,525
at 1 April 2021	2,753	13,402	16,155

2020/21	Leasowe Primary	South Wirral High	Total
	£000	£000	£000
Cost or Valuation			
at 1 April 2020	2,737	13,191	15,928
Additions	3	1,711	1,714
Revaluation increases/(decreases) recognised in the Revaluation Reserve	13	(1,500)	(1,487)
at 31 March 2021	2,753	13,402	16,155
Accumulated Depreciation and Impairment			
at 1 April 2020	(0)	(0)	(0)
Depreciation charge	(50)	(383)	(433)
Depreciation written out to the Revaluation Reserve	50	383	433
at 31 March 2020	(0)	(0)	(0)
Net Book Value:			
at 31 March 2021	2,753	13,402	16,155
at 1 April 2020	2,736	13,191	15,927

Payments due under PFI Schemes

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

Payments due under PFI schemes	2021/22				
	Payment for Services	Lease Liability	Interest	Lifecycle Costs	Total
	£000	£000	£000	£000	£000
Payable within one year	5,071	3,187	4,389	1,067	13,714
Payable within two to five years	21,776	13,605	18,201	4,910	58,492
Payable within six to ten years	26,912	17,611	21,728	2,321	68,572
Payable within eleven to fifteen years	0	0	0	0	0
Total	53,759	34,403	44,318	8,298	140,778

The unitary payment in 2021/22 is £12.842m (2020/21 £12.705m), allocated as follows:

2020/21	2021/22
Total	Total
£000	£000
4,673 Service Costs	4,736
3,827 Interest and Similar Charges	3,608
2,692 Lease Liability	2,465
1,514 Life Cycle Costs	2,034
12,705 Total	12,842

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

2020/21		2021/22
Total		Total
£000		£000
39,558	Balance outstanding at start of year	36,912
(2,646)	Payments during the year	(2,509)
36,912	Balance outstanding at year-end	34,403

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 2021/22, the Council paid £14.6m (2020/21 £14.9m) 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 £15.04m. 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 2022, the Council's own contributions are negligible. In 2021/22 the Council paid £0.158m (2020/21 £0.152m) 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 £0.163m. 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

	2020/21				2021/22			
	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
Comprehensive Income and Expenditure Statement								
Cost of Services								
				Service cost comprising:				
37,022	0	0	37,022	Current service cost	48,219	0	0	48,219
78	0	0	78	Past service cost	0	0	0	0
1,363	0	0	1,363	(Gain) / loss from curtailments	1,958	0	0	1,958
0	0	0	0	(Gain) / loss from settlements and / or transfers	0	0	0	0
604	0	0	604	Administration expenses	626	0	0	626
9,763	736	531	11,030	Net interest expense	9,785	659	450	10,894
48,830	736	531	50,097	Total charged to Surplus and Deficit on Provision of Services	60,588	659	450	61,697

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
				Re-measurement of the net defined benefit liability comprising:				
(174,740)	0	0	(174,740)	Return on plan assets (excluding the amount included in the net interest expense)	(94,293)	0	0	(94,293)
(31,535)	(746)	(357)	(32,638)	Actuarial gains and losses - experience	4,613	89	61	4,763
0	0	0	0	Actuarial gains and losses arising on changes in demographic assumptions	(14,106)	(227)	(193)	(14,526)
237,619	3,232	1,437	242,288	Actuarial gains and losses arising on changes in financial assumptions	(3,379)	0	153	(3,226)
31,344	2,486	1,080	34,910	Total charged to Other Comprehensive Income and Expenditure Statement	(107,165)	(138)	21	(107,282)
80,174	3,222	1,611	85,007	Total charged to the Comprehensive Income and Expenditure Statement	(46,577)	521	471	(45,585)

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 2022 is £460.0m (£531.8m as at 31 March 2021).

2020/21				2021/22			
Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total	Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total
Movement in Reserves Statement							
£000	£000	£000	£000	£000	£000	£000	£000
(48,830)	(736)	(531)	(50,097)	(60,588)	(659)	(450)	(61,697)
20,633	2,547	2,401	25,581	21,469	2,457	2,250	26,176
Pensions Assets and Liabilities Recognised in the Balance Sheet							
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
(1,796,667)	(32,588)	(22,532)	(1,851,787)	(1,831,253)	(30,652)	(20,753)	(1,882,658)
1,319,972	0	0	1,319,972	1,422,604	0	0	1,422,604
(476,695)	(32,588)	(22,532)	(531,815)	(408,649)	(30,652)	(20,753)	(460,054)

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

2020/21				2021/22				
Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total	Movement in the Value of Scheme Assets	Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total
£000	£000	£000	£000		£000	£000	£000	£000
1,135,941	0	0	1,135,941	Opening fair value of scheme assets	1,319,972	0	0	1,319,972
27,057	0	0	27,057	Interest income	27,525	0	0	27,525
				Re-measurement gain / (loss):				
174,740	0	0	174,740	- The return on plan assets, excluding the amount included in the net interest expense	94,293	0	0	94,293
20,633	2,547	2,401	25,581	Contributions from employer	21,469	2,457	2,250	26,176
7,673	0	0	7,673	Contributions from employees into the scheme	7,989	0	0	7,989
(45,468)	(2,547)	(2,401)	(50,416)	Benefits / transfers paid	(48,018)	(2,457)	(2,250)	(52,725)
(604)	0	0	(604)	Administration expenses	(626)	0	0	(626)
0	0	0	0	Assets Extinguished on Settlement	0	0	0	0
1,319,972	0	0	1,319,972	Closing value of scheme assets	1,422,604	0	0	1,422,604

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

2020/21				2021/22			
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
(1,553,095)	(31,913)	(23,322)	(1,608,330)	(1,796,667)	(32,588)	(22,532)	(1,851,787)
(37,022)	0	0	(37,022)	(48,219)	0	0	(48,219)
(36,820)	(736)	(531)	(38,087)	(37,310)	(659)	(450)	(38,419)
(7,673)	0	0	(7,673)	(7,989)	0	0	(7,989)
			0 Re-measurement gains and losses:				0
31,535	746	357	32,638	(4,613)	(89)	(61)	(4,763)
0	0	0	0	14,106	227	193	14,526
(237,619)	(3,232)	(1,437)	(242,288)	3,379	0	(153)	3,226
(78)	0	0	(78)	0	0	0	0
(1,363)	0	0	(1,363)	(1,958)	0	0	(1,958)
45,468	2,547	2,401	50,416	48,018	2,457	2,250	52,725
0	0	0	0	0	0	0	0
(1,796,667)	(32,588)	(22,532)	(1,851,787)	(1,831,253)	(30,652)	(20,753)	(1,882,658)

LGPS Pension Scheme Assets Comprised of:

2020/21			2021/22		
Quoted £000	Unquoted £000	Total £000	Quoted £000	Unquoted £000	Total £000
29,831	0	29,831	30,520	0	30,520
Cash and cash equivalents					
Equities					
199,713	26,267	225,980	208,950	23,639	232,589
309,137	135,825	444,962	317,515	155,839	473,354
508,850	162,092	670,942	526,465	179,478	705,943
Subtotal Equities					
Bonds					
17,028	0	17,028	15,322	0	15,322
43,955	0	43,955	41,607	0	41,607
104,542	0	104,542	118,966	0	118,966
7,128	0	7,128	6,976	0	6,976
0	(4,356)	(4,356)	0	(4,669)	(4,669)
172,653	(4,356)	168,297	182,871	(4,669)	178,202
Subtotal Bonds					
Property					
0	62,567	62,567	0	77,044	77,044
2,376	23,232	25,608	1,751	21,888	23,639
0	30,227	30,227	0	35,604	35,604
2,376	116,026	118,402	1,751	134,536	136,287
Subtotal Property					
Alternatives					
0	26,399	26,399	146	40,419	40,565
0	85,666	85,666	0	88,717	88,717
2,112	7,920	10,032	2,189	5,837	8,026
0	49,103	49,103	0	49,904	49,904
1,716	47,915	49,631	0	63,766	63,766
0	37,619	37,619	0	42,608	42,608
396	25,871	26,267	0	26,265	26,265
1,848	45,935	47,783	2,335	49,466	51,801
6,072	326,428	332,500	4,670	366,982	371,652
Subtotal Alternatives					
719,782	600,190	1,319,972	746,277	676,327	1,422,604
Total Assets					

Significant Assumptions by the Actuary have been:

2020/21	Local Government Pension Scheme	2021/22
Mortality assumptions		
Longevity at retirement for current pensioners		
21.0	Men	20.9
24.1	Women	24.0
Longevity at retirement for future pensioners		
22.6	Men	22.4
26.0	Women	25.9
Other assumptions		
2.7%	Rate of inflation	3.4%
4.2%	Rate of increase in salaries	4.9%
2.8%	Rate of increase in pensions	3.5%
2.1%	Rate for discounting scheme liabilities	2.8%

2020/21	Teachers' Unfunded	2021/22
Mortality assumptions		
Longevity at retirement for current pensioners aged 75		
12.5	Men	12.5
15.0	Women	15.0
Longevity at retirement for current pensioners aged 65		
21.0	Men	20.9
24.1	Women	24.0
Other assumptions		
2.7%	Rate of inflation	3.5%
2.8%	Rate of increase in pensions	3.6%
2.1%	Rate for discounting scheme liabilities	2.8%

Increase by 0.1%	LGPS £000	Teachers' Unfunded £000
Longevity	57,154	1,084
Rate of inflation	29,447	152
Rate of increase in salaries	3,183	0
Rate for discounting scheme liabilities	(28,988)	(152)

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.

2021/22				
Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
EF Callister	0	0	373	0
Criminal Injuries	0	0	6	0
Other	0	0	82	0
Total	0	0	461	0

2020/21				
Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
EF Callister	0	0	373	0
Criminal Injuries	0	0	6	0
Other	0	0	82	0
Total	0	0	461	0

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 2022. 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. There is an estimated contingent liability of circa £3.06m relating to unknown claims.

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 Department for Levelling Up, Housing and Communities (DLUHC) 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 2022 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	Balance Invested as at
	Cash Equivalent	Short Term Investment	Long Term Investment	31.03.21	31.03.22
	£000	£000	£000	£000	£000
AAA	46,955	0	0	23,917	46,955
A+	0	0	0	941	0
A	0	0	0	5,000	0
Unrated Energy Bond	0	0	1,500	0	1,500
Unrated Subsidiaries + Corporate	0	1,500	0	975	1,500
Total	46,955	1,500	1,500	30,833	49,955
Credit risk not applicable*	0	7,000	10,000	17,000	17,000
Total Investments	46,955	8,500	11,500	47,833	66,955

* 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 2022
	£000
Less than three months	5,968
Three to six months	1,731
Six months to one year	2,812
More than one year	772
Total	11,283

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 2022 was as follows:

Liquidity Risk	31 March 2021	31 March 2022
	£000	£000
Less than one year	88,198	63,594
Between one and two years	3,674	9,102
Between two and five years	9,467	8,168
More Than 5 Years	1,222	1,239
More Than 10 years	148,071	135,084
Total	250,632	217,187

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 2021	31 March 2022
£000	£000
54,438 Gross Receivables	49,018
(17,709) Impairment	(18,396)
36,729	Total 30,622

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 £94.5m (2021 £107.5m) of "Lender's option, borrower's option" (LOBO) loans with maturity dates between 2022 and 2065 where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. In the current low interest rate environment, the likelihood of the lender increasing the rate is low; however, the likelihood will increase in later years should market interest rates rise.

Market Risk - Interest Rate Risk	31 March 2021	31 March 2022
	£000	£000
Increase in interest payable on variable rate borrowings	594	254
Increase in interest receivable on variable rate investments	(394)	(419)
Decrease in fair value of investments held at FVPL	96	53
Impact on Surplus or Deficit on the Provision of Services	296	(112)
Impact on Other Comprehensive Income and Expenditure	296	(112)
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)	(47,495)	(35,705)
Decrease in fair value of loans and investments at amortised cost	0	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 31st March 2022 would result in a £0.04m (2021: £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 2020/21

Cost of Services

Reclassification of 2020/21 Cost of Services in the Comprehensive Income and Expenditure Statement

During 2020/21, there were some changes in the way income and expenditure and several functions were reported in outturn.

The table below shows how this information was originally presented in the 2020/21 Comprehensive Income and Expenditure Statement:

Original 2020/21 Comprehensive Income and Expenditure Statement cost of services

	2020/21		
	Expenditure	Income	Net
	£000	£000	£000
Chief Executive Officer	1,987	(16)	1,971
Covid-19	34,285	(29,949)	4,336
Resources	132,610	(102,773)	29,837
Neighbourhood Services	80,421	(17,379)	63,042
Law & Governance (Monitoring Officer)	8,531	(1,029)	7,502
Regeneration & Place	37,678	(9,686)	27,992
Children, Families & Education	317,844	(231,586)	86,258
Adults Care and Health and Strategic Commissioning	180,331	(87,935)	92,396
Corporate	325	(4,866)	(4,541)
	794,012	(485,219)	308,793

Fully revised 2020/21 CIES

	2020/21		
	Expenditure	Income	Net
	£000	£000	£000
Chief Executive Officer	1,987	(16)	1,971
Resources	167,220	(136,365)	30,855
Neighbourhood Services	75,486	(12,444)	63,042
Law & Governance (Monitoring Officer)	8,531	(1,029)	7,502
Regeneration & Place	37,054	(9,131)	27,923
Children, Families & Education	315,840	(230,736)	85,104
Adults Care and Health and Strategic Commissioning	180,331	(87,935)	92,396
Cost of Services	786,449	(477,656)	308,793
Other Operating Expenditure	43,367	0	43,367
Financing and Investment Income and Expenditure	34,363	(509)	33,854
Surplus or Deficit on Discontinued Operations	0	0	0
Taxation and Non Specific Grant Income	0	(344,420)	(344,420)
Surplus or Deficit on Provision of Services	864,179	(822,585)	41,594
Surplus or deficit on revaluation of Property, Plant and Equipment			(22,831)
Impairment losses on non-current assets charged to the Revaluation Reserve			0
Surplus or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure			4
Remeasurement of the net defined benefit liability / asset			34,910
Other Comprehensive Income and Expenditure			12,083
Total Comprehensive Income and Expenditure			53,677



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.

2020/21			2021/22		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
INCOME					
0	(181,637)	(181,637)	0	(191,857)	(191,857)
(34,953)	0	(34,953)	(58,402)	0	(58,402)
(34,953)	(181,637)	(216,590)	(58,402)	(191,857)	(250,259)
EXPENDITURE					
Apportionment of Previous Years Surplus					
175	1,590	1,765	(35,988)	(2,010)	(37,998)
0	210	210	0	(269)	(269)
2	80	82	(364)	(102)	(466)
0	20	20	0	(24)	(24)
177	1,900	2,077	(36,352)	(2,405)	(38,757)
Precepts, Demands and Shares					
71,733	148,862	220,595	72,302	156,678	228,980
0	19,918	19,918	0	21,380	21,380
725	7,555	8,280	730	7,724	8,454
0	1,785	1,785	0	1,790	1,790
72,458	178,120	250,578	73,032	187,572	260,604
Charges to Collection Fund					
1,172	1,204	2,376	623	204	827
153	3,353	3,506	(920)	(834)	(1,754)
(280)	0	(280)	1,024	0	1,024
1,306	0	1,306	901	0	901
325	0	325	320	0	320
3	0	3	128	0	128
2,679	4,557	7,236	2,076	(630)	1,446
40,361	2,940	43,301	(19,646)	(7,320)	(26,966)
286	(814)	(528)	40,647	2,126	42,773
40,647	2,126	42,773	21,001	(5,194)	15,807

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 2021/22, the tax base was estimated as 94,198.6 band D equivalent properties. This includes an adjustment for the proportion of Council Tax that is estimated to ultimately be collected.

The table below shows the number of band D equivalent properties in each valuation band, with 2020/21 included for comparison.

2021/22					
Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings	Council Tax payable
	£	No		No	£
Disabled A	1/9th of Band A	64.7	5/9	36.0	
A	Upto and including - 40,000	35,666.7	6/9	23,778.0	1,327.50
B	40,001 - 52,000	25,212.4	7/9	19,610.0	1,548.74
C	52,001 - 68,000	23,448.8	8/9	20,843.0	1,769.99
D	68,001 - 88,000	11,895.0	9/9	11,895.0	1,991.24
E	88,001 - 120,000	7,620.7	11/9	9,314.0	2,433.74
F	120,001 - 160,000	4,001.6	13/9	5,780.0	2,876.23
G	160,001 - 320,000	2,930.2	15/9	4,884.0	3,318.74
H	More than - 320,001	236.5	18/9	473.9	3,982.48
				Collection Rate	97.50%
				Council tax base	94,198.6

2020/21					
Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings	Council Tax payable
	£	No		No	£
Disabled A	1/9th of Band A	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
				Collection Rate	97.25%
				Council tax base	93,965.9

Note 2 - Non-Domestic Rates

The Council is responsible for collecting non-domestic rates from businesses located within its area on behalf of itself and Merseyside Fire and Rescue Service. The total rateable value of all business properties within the Council's area as at 31 March 2022 is £186.1m (£188.7m as at 31 March 2021). The business rates paid by a business for a property within the Council area equate to the rateable value multiplied by a rate set by central government (the multiplier). The multiplier charged is based on the rateable value of the property as follows:

Rateable Value	2020/21 multiplier (pence)	2021/22 multiplier (pence)
Up to £51,000	49.9	49.9
Over £51,000	51.2	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

Independent Auditor's Report

Intentionally left blank

MERSEYSIDE PENSION FUND ACCOUNTS

2020/21 £000	FUND ACCOUNT - For the year ended 31 March 2022	Note	2021/22 £000
	Dealing with members, employers and others directly involved in the fund:		
337,417	Contributions Receivable	7	201,160
15,214	Transfers In	8	225,296
352,631			426,456
(350,641)	Benefits Payable	9	(371,943)
(16,874)	Payments to and on account of Leavers	10	(14,246)
(367,515)			(386,189)
(14,884)	Net additions/(withdrawals) from dealing with members		40,267
(39,790)	Management Expenses	11	(47,123)
(54,674)	Net additions/(withdrawals) including Fund Management Expenses		(6,856)
	Return on Investments:		
191,236	Investment Income		329,589
1,308,738	Profit and Losses on Disposal of Investments and Change in Market Value of Investments		603,329
(4,304)	Taxes on Income		(4,907)
1,495,670	Net Return on Investments		928,011
1,440,996	Net Increase/(Decrease) in the Fund during the year		921,155
8,638,752	Net Assets of the Fund at the start of the year		10,079,748
10,079,748	Net Assets of the Fund at the end of the year		11,000,903
2020/21 £000	NET ASSETS STATEMENT - For the year ended 31 March 2022	Note	2021/22 £000
	Investment Assets	13	
3,213,642	Equities		3,360,827
696,000	Bonds		731,666
5,393,027	Pooled Investment Vehicles		5,817,473
403,815	Derivative Contracts		382,521
463,725	Direct Property		568,275
78,110	Loans		35,751
125,018	Short Term Cash Deposits		169,149
144,548	Other Investment Balances		106,941
10,517,885			11,172,603
(465,355)	Investment Liabilities	14	(400,793)
10,052,530	Total Net Investment Assets		10,771,810
3,337	Long Term Assets	19	6,394
40,433	Current Assets	20	245,138
(16,552)	Current Liabilities	20	(22,439)
10,079,748	Net Assets of the Fund as at 31 March		11,000,903

Notes to the Merseyside Pension Fund Accounts

Note 1 Description of the Fund

Merseyside Pension Fund (MPF/the Fund) is part of the Local Government Pension Scheme (LGPS) and Wirral Council is the Administering Authority. The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2021/22 included eleven 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's Annual Report 2021/22 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 214 employer organisations within Merseyside Pension Fund including Wirral Council itself. The Fund has 144,547 members as detailed below:

31 March 2021		31 March 2022
212	Number of Employers with Active Members	214
47,193	Number of Employees in Scheme	46,740
47,032	Number of Pensioners	48,609
6,503	Number of Dependants	6,645
39,295	Number of Deferred Pensioners	42,553
140,023	Total Number of Members in the Scheme	144,547

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, with employer contributions set to achieve the funding target for each individual employer as detailed within the Valuation Rates and Adjustment Certificate.

D) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. 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 adjusted 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 2021/22 financial year and its position at year end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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.

For 2020/21 reporting, Note 24 Additional Voluntary Contributions (AVCs), the information was not available for Prudential at the time the Statement of Accounts were approved, this information is now available and has now been included, this has had no impact on the Fund Account or the Net Asset Statement.

The accounts have been prepared on a going concern basis. The Code (paragraph 3.3.1.2) requires the disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, was due to be adopted by the Code for accounting periods commencing on or after 1 April 2022, however, a decision by Cipfa is to defer the implementation of IFRS until 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all assets with a term of more than 12 months unless the underlying asset is of low value. Implementation of IFRS 16 is not expected to have a material impact on the Fund because it does not hold any assets as a lessee.

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 Pension Scheme Management Expenses (2016)" 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 as demanded and 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 have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 15). 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). 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 2022 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 2022 together, where applicable, with the UK National Supplement effective 14 January 2019, together the “Red Book”.
- Pooled Investment Vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of Pooled Investment Vehicles that are Accumulation Funds, change in market value also includes income which is reinvested by the Manager of the vehicle in the underlying investment, net of applicable withholding tax.

Translation of Foreign Currencies

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

Derivatives

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

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

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

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

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

Short Term Deposits

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

Financial Liabilities

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

Additional Voluntary 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](#)

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 2022 was £5,391 million (£4,745 million at 31 March 2021).

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 COVID-19 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 2021/22 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 and the impact of the conflict in Ukraine. 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 2022 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 2022, 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 2022. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2021/22 contributions above were calculated at the valuation dated 31 March 2019. The 2019 actuarial valuation calculated the average primary employer contribution 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 £18.8 million (in 2020/21 £94.7 million).

"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 2021/22 the Fund has received additional and upfront payments covering a three-year period until the next actuarial valuation in 2022, totaling £nil, (in 2020/21 £3.1 million).

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2021/22 no such charges were levied.

2020/21	Contributions Receivable	2021/22
£000		£000
	Employers	
257,619	Normal	122,986
4,665	Pension Strain	6,721
14,500	Deficit Funding	8,063
276,784	Total Employers	137,770
	Employees	
60,633	Normal	63,390
337,417		201,160
	Relating to:	
27,478	Administering Authority	29,048
282,567	Statutory Bodies	144,178
27,372	Admission Bodies	27,934
337,417		201,160

Note 8 Transfers In

2020/21	Transfers In	2021/22
£'000		£'000
-	Group Transfers	205,761
15,214	Individual Transfers	19,535
15,214		225,296

Note 9 Benefits Payable

2020/21	Benefits payable	2021/22
£000		£000
287,859	Pensions	299,729
55,869	Lump Sum Retiring Allowances	63,287
6,913	Lump Sum Death Benefits	8,927
350,641		371,943
	Relating to:	
47,540	Administering Authority	50,115
247,375	Statutory Bodies	258,258
55,726	Admission Bodies	63,570
350,641		371,943

Note 10 Payments to and on account of Leavers

2020/21	Payments to and on account of Leavers	2021/22
£000		£000
435	Refunds to Members Leaving Service	421
-	Payment for Members Joining State Scheme	-
(9)	Income for Members from State Scheme	(3)
-	Group Transfers to Other Schemes	-
16,448	Individual Transfers to Other Schemes	13,828
16,874		14,246

Note 11 Management Expenses

2020/21	Management Expenses	2021/22
£000		£000
3,067	Administration Costs	3,267
34,992	Investment Management Costs	41,829
2,019	Oversight and Governance Costs	2,199
(288)	Other Income	(172)
39,790		47,123

Note 11a Administration Costs

2020/21	Administration Costs	2021/22
£000		£000
2,169	Employee Costs	2,245
643	IT Costs	785
216	General Costs	192
39	Other Costs	45
3,067		3,267

Note 11b Investment Management Costs

2021/22	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	15,729	7,398	4,574			3,757
Bonds	100	100				
Pooled Investment Vehicles	23,321	3,515	1,181	6,661	11,964	
Derivative Contracts	227	774				(547)
Loans	785			785		
Short Term Cash Deposits	-					
Other Investment Balances	-					
		11,787	5,755	7,446	11,964	3,210
External Services	665					
Internal Investment Management Fees	1002					
	<u>41,829</u>					

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	-					
Other Investment Balances	-					
		11,348	3,469	7,649	5,927	4,924
External Services	820					
Internal Investment Management Fees	855					
	<u>34,992</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 2021/22 is £122,060 relating to recharged Actuarial fees (2020/21 £230,382).

The estimated External Audit fee for 2021/22 is £51,249, an additional £12,250 relates to services in respect of IAS19 assurances for admitted body auditors, which are recharged to those admitted bodies. An audit fee rebate was received during 2021/22 for £20,060.

2020/21	Oversight & Governance Costs	2021/22
£000		£000
534	Employee Costs	586
1,162	External Services	1,277
49	Internal Audit	49
58	External Audit	43
216	Other Costs	244
2,019		2,199

Note 12 Investment Income

Rental income is shown net of any property related expenses.

Interest on loans has been accrued up to 31 March 2022.

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £11.1 million (2020/21 £8.1 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 2021/22 £3.5 million (2020/21 £2.6 million).

2020/21	Investment Income	2021/22
£000		£000
77,984	Dividends from Equities	108,655
3,965	Income from Bonds	3,301
50,385	Income from Pooled Investment Vehicles	73,089
25,464	Net Rents from Properties	27,024
202	Interest on Short Term Cash Deposits	76
24,509	Income from Private Equity	101,489
6,981	Interest from Loans	14,784
1,746	Other	1,171
191,236		329,589
(4,304)	Irrecoverable Withholding Tax	(4,907)
186,932		324,682

Note 12a Property Income

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 2022 (£7.5 million) and assessed that a credit loss provision to the value of £1.7 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.

2020/21	Property Income	2021/22
£000		£000
33,138	Rental Income	32,405
(7,674)	Direct Operating Expenses	(5,382)
25,464	Net Rent from properties	27,023

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:

2020/21	Age Profile of Lease Income	2021/22
£000		£000
3,345	No later than one year	2,001
5,327	Between one and five years	10,713
16,490	Later than five years	15,406
25,162	Total	28,120

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

2021/22					
	Market Value @ 31.3.21	Purchases at Cost and Derivative Payments	Sale Proceeds and Derivative Receipts	Change in Market Value**	Market Value @ 31.3.22
	£'000	£'000	£'000	£'000	£'000
Equities	3,213,642	1,222,238	(1,202,126)	127,073	3,360,827
Bonds	696,000	26,786	(23,670)	32,550	731,666
Pooled Investment Vehicles	5,393,027	599,023	(528,332)	353,755	5,817,473
Direct Property	463,725	42,872	(37,435)	99,113	568,275
Loans	78,110	32,643	(75,002)	-	35,751
	9,844,504	1,923,562	(1,866,565)	612,491	10,513,992
Derivative Contracts					
FX	-	593,193	(596,435)	2,886	(356)
Options	(32,471)	610,390	(584,592)	(1,722)	(8,395)
Swaps	(6,201)	37,904	(20,699)	(11,004)	-
	9,805,832	3,165,049	(3,068,291)	602,651	10,505,241
Short Term Cash Deposits	125,018				169,149
Other Investment Balances	144,548			678	106,941
Amounts due to stockbrokers	(22,868)				(9,521)
	10,052,530			603,329	10,771,810
2020/21					
	Market Value @ 31.3.20	Purchases at Cost and Derivative Payments	Sale Proceeds and Derivative Receipts	Change in Market Value**	Market Value @ 31.3.21
	£'000	£'000	£'000	£'000	£'000
Equities	2,483,568	1,377,745	(1,332,543)	684,872	3,213,642
Bonds	696,229	49,733	(61,334)	11,372	696,000
Pooled Investment Vehicles	4,432,443	1,298,955	(1,184,860)	846,489	5,393,027
Direct Property	471,925	41,061	(16,463)	(32,798)	463,725
Loans	86,076	50,588	(55,222)	(3,332)	78,110
	8,170,241	2,818,082	(2,650,422)	1,506,603	9,844,504
Derivative Contracts					
FX	14,378	1,877,448	(1,875,729)	(16,097)	-
Options	150,973	1,011,312	(1,040,277)	(154,479)	(32,471)
Swaps	5,843	77,440	(67,895)	(21,589)	(6,201)
	8,341,435	5,784,282	(5,634,323)	1,314,437	9,805,832
Short Term Cash Deposits	105,010				125,018
Other Investment Balances	181,507			(5,699)	144,548
Amounts due to stockbrokers	(21,063)				(22,868)
	8,606,889			1,308,738	10,052,530

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

2020/21		2021/22
£000		£000
	Equities (segregated holdings)	
1,336,937	UK Quoted	1,389,501
1,876,705	Overseas Quoted	1,971,326
3,213,642		3,360,827
2020/21		2021/22
£000		£000
	Bonds	
695,600	UK Public Sector Quoted	731,266
400	UK Corporate Quoted	400
-	Overseas Corporate Quoted	-
696,000		731,666

Note 13a Analysis of Investments (Continued)

2020/21		2021/22
£000		£000
	Pooled Investment Vehicles	
	UK Managed Funds:	
117,664	Equities	94,800
196,808	Private Equity	299,250
180,197	Hedge Funds	192,373
407,569	Corporate Bonds	379,513
359,855	Infrastructure	490,717
315,882	Opportunities	311,049
	Overseas Managed Funds:	
722,853	Equities	662,586
633,688	Private Equity	654,211
112,532	Hedge Funds	120,411
84,315	Corporate Bonds	83,187
250,699	Infrastructure	272,893
97,171	Opportunities	129,229
	UK Unit Trusts:	
106,888	Property	138,590
	Overseas Unit Trusts:	
217,324	Property	254,905
1,589,582	Other Unitised Funds	1,733,759
5,393,027		5,817,473
2020/21		2021/22
£000		£000
	Derivative Contracts	
-	FX	895
402,967	Options	381,626
848	Swaps	-
403,815		382,521
2020/21		2021/22
£000		£000
	UK Properties	
348,425	Freehold	440,050
115,300	Leasehold	128,225
463,725		568,275
471,925	Balance at 1 April	463,725
41,061	Additions	42,872
(16,463)	Disposals	(37,435)
3,621	Net gain/(loss) on fair value	(14,912)
(36,419)	Other changes in fair value	114,025
463,725	Balance at 31 March	568,275

Note 13a Analysis of Investments (Continued)

As at 31 March 2022 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.

2020/21		2021/22
£000		£000
78,110	Loans	35,751
125,018	Short term cash deposits	169,149
	Other investment balances	
7,481	Outstanding Trades	3,524
20,630	Outstanding Dividends Entitlements and Recoverable Withholding Tax	26,159
116,437	Cash Deposits	77,258
144,548		106,941
10,517,885	Total Investments Assets	11,172,603

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 £'000	Liability £'000
Up to one month	AUD 1,010	GBP 577	-	-
Up to one month	GBP 440	AUD 767	2	-
Up to one month	EUR 100,000	GBP 83,640	893	-
Up to one month	GBP 83,554	EUR 100,000	-	(980)
Up to six months	GBP 18,834	EUR 22,575	-	(271)
			895	(1,251)
Net Forward Currency Contracts at 31 March 2022				(356)
Prior Year Comparative				
Open Forward Currency Contracts at 31 March 2021			-	-
Net Forward Currency Contracts at 31 March 2021				-

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 2021/22 the Fund bought a number of equity option contracts that protect it from falls in value in its main investment markets.

Underlying Option Contract	Expires	Put/Call	Notional Holding £'000	Market Value 31 March 2022 £'000
Assets				
Overseas equity purchased	Over three months	Put	361	106,568
Overseas equity purchased	Over three months	Call	706	275,058
Total Assets				381,626
Liabilities				
Overseas equity written	Over three months	Put	(440)	(56,121)
Overseas equity written	Over three months	Call	(361)	(333,899)
Total Liabilities				(390,020)
Net Purchased/Written Options				(8,394)

Underlying Option Contract	Expires	Put/Call	Notional Holding £'000	Market Value 31 March 2021 £'000
Assets				
Overseas equity purchased	One to three months	Put	-	-
Overseas equity purchased	Over three months	Put	400	94,340
Overseas equity purchased	Over three months	Call	650	308,627
Total Assets				402,967
Liabilities				
Overseas equity written	One to three months	Put	-	-
Overseas equity written	Over three months	Put	(490)	(49,542)
Overseas equity written	One to three months	Call	-	-
Overseas equity written	Over three months	Call	(400)	(385,896)
Total Liabilities				(435,438)
Net Purchased/Written Options				(32,471)

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.

There were no swaps as at 31 March 2022.

Type	Expires	Notional Holding £'000	Market Value 31/3/21 £'000
Assets			
Total Return Swaps	Up to one year	9,581	848
Total Assets			848
Liabilities			
Total Return Swaps	Up to one year	(9,506)	(7,049)
Total Liabilities			(7,049)
Net Swaps			(6,201)

As at 31 March 2022, the Fund held cash and non-cash collateral of £2.3 million to mitigate the risk of loss and credit risk. As the Fund has an obligation to return the collateral, it is excluded from the Fund valuation.

Note 13c Summary of Manager's Portfolio Values at 31 March 2022

2020/21			2021/22	
£million	%		£million	%
Externally Managed				
301	3.0	JP Morgan (European equities)	318	2.9
422	4.2	Nomura (Japan)	409	3.8
408	4.1	Schroders (fixed income)	380	3.5
447	4.4	Legal & General (fixed income)	473	4.4
237	2.4	Unigestion (European equities)	248	2.3
216	2.1	M&G (global emerging markets)	220	2.0
298	3.0	TT International (UK equities)	315	2.9
306	3.0	Blackrock (UK equities)	320	3.0
306	3.0	Newton (UK equities)	311	2.9
255	2.5	Amundi (global emerging markets)	226	2.1
183	1.8	Maple-Brown Abbot (Pacific Rim equities)	201	1.9
1,146	11.4	State Street Global Advisor (Passive Manager)	1,271	11.8
703	7.0	State Street Global Advisor (Bonds Manager)	727	6.7
5,228	51.9	Total Externally Managed	5,419	50.2
Internally Managed				
615	6.1	UK equities	628	5.8
316	3.1	European equities	333	3.1
181	1.8	Asia pacific ex Japan	180	1.7
464	4.6	Property (direct)	568	5.3
413	4.1	Property (indirect)	439	4.1
831	8.4	Private equity	956	8.9
439	4.4	Hedge funds	427	4.0
647	6.4	Infrastructure	791	7.3
550	5.5	Opportunities	577	5.4
239	2.4	Global Equities Internal Factor	273	2.5
130	1.3	Short term deposits & other investments	181	1.7
4,825	48.1	Total Internally Managed	5,353	49.8
10,053	100.0	Total	10,772	100.0

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

2020/21		2021/22	
£000	%	£000	%
547	5.4	628	5.8
547	Total	628	

Note 13d Stock Lending

As at 31 March 2022, £172.8 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totaling £185.7 million. Collateral is marked to market and adjusted daily. Income from Stock Lending amounted to £1.2 million and is included within "Other" Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

Note 14 Investment Liabilities

2020/21	Investment Liabilities	2021/22
£000		£000
442,487	Derivative Contracts	391,272
22,868	Amounts due to Stockbrokers	9,521
465,355	Total	400,793

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
Level 1			
Quoted Equities and Pooled Investment Vehicles	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted Fixed Income Bonds and Unit Trusts	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Derivatives - Futures and Options	Published exchange prices at the year-end	Not required	Not required
Loans	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
Cash and Cash Equivalents	Carrying Value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Other Investment Balances	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
Level 1			
Investment Debtors and Creditors	Carrying Value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Level 2			
Unquoted Equities Investments	Average of broker prices	Evaluated price feeds	Not required
Unquoted Fixed Income Bonds and Unit Trusts	Average of broker prices	Evaluated price feeds	Not required
Unquoted Pooled Fund Investments	Average of broker prices	Evaluated price feeds	Not required
Derivatives - Forward Currency Contracts	Market forward exchange rates at the year end	Exchange rate risk	Not required
Derivatives - OTC Options and OTC Swaps	Option pricing models and Swaps pricing models	Not required	Not required
Pooled Property Funds and Hedge Funds where regular trading takes place	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
Level 3			
Pooled Property Funds and Hedge Funds where regular trading does not takes place	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.
Direct Property	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.
Other Unquoted and Private Equities	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 2022 and 31 March 2021. There are various factors that affect the complexity of valuation and the realisable value of assets and certain asset specific issues may lead to realisable valuations falling outside the stated range.

Level 3 Assets	Value at 31 March 2022 £000	Potential variance %	Value on increase £000	Value on decrease £000
Property	746,341	10.0	820,975	671,707
Unquoted UK equity	93,680	15.0	107,732	79,628
Unquoted overseas equity	12,292	15.0	14,136	10,448
Hedge funds	207,896	10.0	228,686	187,106
Infrastructure	775,522	15.0	891,850	659,194
Private equity	1,615,762	15.0	1,858,126	1,373,398
Total	3,451,493			

Level 3 Assets	Value at 31 March 2021 £000	Potential variance %	Value on increase £000	Value on decrease £000
Property	622,437	10.0	684,681	560,193
Unquoted UK equity	112,763	15.0	129,677	95,849
Unquoted overseas equity	8,616	15.0	9,908	7,324
Hedge funds	220,172	10.0	242,189	198,155
Infrastructure	624,109	15.0	717,725	530,493
Private equity	1,410,704	15.0	1,622,310	1,199,098
Total	2,998,801			

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.

MERSEYSIDE PENSION FUND ACCOUNTS

Level 2

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

Level 3

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

Such investments would include unquoted equity investments and Hedge Fund of Funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of the investment in Private Equity are based on valuations provided by the general partners to the Private Equity funds in which Merseyside Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in Hedge Funds are based on the net asset value provided by the Fund Manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable:

Values at 31 March 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment assets				
Equities	3,298,587	214	62,026	3,360,827
Bonds	731,266	400		731,666
Pooled Investment Vehicles	1,048,861	1,947,420	2,821,192	5,817,473
Derivative Contracts		382,521		382,521
Direct Property			568,275	568,275
Loans	35,751			35,751
Short Term Cash Deposits	169,149			169,149
Other Investment Balances	106,941			106,941
Total Investment Assets	5,390,555	2,330,555	3,451,493	11,172,603
Investment liabilities				
Amounts due to stockbrokers	(9,521)			(9,521)
Derivative Contracts		(391,272)		(391,272)
Total Investment Liabilities	(9,521)	(391,272)	-	(400,793)
Net Investment Assets	5,381,034	1,939,283	3,451,493	10,771,810

MERSEYSIDE PENSION FUND ACCOUNTS

Values at 31 March 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment assets				
Equities	3,151,560	444	61,638	3,213,642
Bonds	695,600	400		696,000
Pooled Investment Vehicles	1,135,675	1,783,914	2,473,438	5,393,027
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
Other Investment Balances	144,548			144,548
Total Investment Assets	5,330,511	2,188,573	2,998,801	10,517,885
Investment liabilities				
Amounts due to stockbrokers	(22,868)			(22,868)
Derivative Contracts		(442,487)		(442,487)
Total Investment Liabilities	(22,868)	(442,487)	-	(465,355)
Net Investment Assets	5,307,643	1,746,086	2,998,801	10,052,530

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

2020/21 £000		2021/22 £000
2,533,544	Opening balance	2,998,801
709,823	Acquisitions	467,662
(389,073)	Disposal proceeds	(353,783)
15,191	Transfer into/(out) Level 3*	(3,075)
	Total gain/(losses) included in the fund account:	
75,540	On assets sold	108,690
53,776	On assets held at year end	233,198
2,998,801	Closing balance	3,451,493

* An asset transferred from level 3 to level 1 in 2021/22, due to the asset being a listed equity.

MERSEYSIDE PENSION FUND ACCOUNTS

Note 16 Financial Instruments

Note 16a Classification of Financial Instruments

Financial Assets & Liabilities at 31 March 2022	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through profit and loss £000	Total £000
Financial Assets				
Equities			3,360,827	3,360,827
Bonds			731,666	731,666
Pooled Investment Vehicles			5,817,473	5,817,473
Derivatives			382,521	382,521
Loans	35,751			35,751
Cash Deposits	169,149			169,149
Other Investment	106,941			106,941
Balances				
Long Term and Current Assets	251,532			251,532
Total Financial Assets	563,373	-	10,292,487	10,855,860
Financial Liabilities				
Derivatives			(391,272)	(391,272)
Other Investment		(9,521)		(9,521)
Balances				
Current Liabilities		(22,439)		(22,439)
Total Financial Liabilities	-	(31,960)	(391,272)	(423,232)
Total Net Assets	563,373	(31,960)	9,901,215	10,432,628
Financial Assets & Liabilities at 31 March 2021	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through profit and loss £000	Total £000
Financial Assets				
Equities			3,213,642	3,213,642
Bonds			696,000	696,000
Pooled Investment Vehicles			5,393,027	5,393,027
Derivatives			403,815	403,815
Loans	78,110			78,110
Cash Deposits	125,018			125,018
Other Investment	144,548			144,548
Balances				
Long Term and Current Assets	43,770			43,770
Total Financial Assets	391,446	-	9,706,484	10,097,930
Financial Liabilities				
Derivatives			(442,487)	(442,487)
Other Investment		(22,868)		(22,868)
Balances				
Current Liabilities		(16,552)		(16,552)
Total Financial Liabilities	-	(39,420)	(442,487)	(481,907)
Total Net Assets	391,446	(39,420)	9,263,997	9,616,023

MERSEYSIDE PENSION FUND ACCOUNTS

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 and 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

2020/21 £000	Net Gains and Losses on Financial Instruments	2021/22 £000
	Financial Assets	
1,542,733	Fair Value through Profit and Loss	516,264
	Amortised Cost - realised gains on derecognition of	678
1,542,733	Total Financial Assets	516,942
	Financial Liabilities	
(192,166)	Fair Value through Profit and Loss	(12,726)
(9,031)	Amortised Cost - realised losses on derecognition of	
(201,197)	Total Financial Liabilities	(12,726)
1,341,536	Net gains and losses on Financial Instruments	504,216

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.

MERSEYSIDE PENSION FUND ACCOUNTS

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

MERSEYSIDE PENSION FUND ACCOUNTS

pay pensions. The figures provided are a forward-looking assumption of future volatility based on analysis of previous performance and probability.

	Value at 31 March 2022	Potential Variance	Value on increase	Value on decrease
2021/22	£million	%	£million	£million
UK Equities (all equities including pooled vehicles)	1,660	19.0	1,976	1,345
US Equities	605	19.6	724	486
Canadian Equities	11	24.1	13	8
European Equities	986	22.6	1,209	764
Japanese Equities	420	20.4	505	334
Emerging Markets Equities inc Pac Rim	898	25.1	1,124	673
Global Equities (all equities including pooled vehicles)	810	19.0	964	656
UK Fixed Income Pooled Vehicles	926	8.6	1,005	846
UK Index Linked Gilts	731	7.1	783	679
Pooled Property	393	12.5	443	344
Private Equity	953	28.3	1,223	684
Hedge Funds	313	9.3	342	284
Infrastructure	764	18.7	906	621
Other Alternative Assets	440	8.1	476	405
Loans, Short Term Deposits & Other	523	-	523	523
Investment Balances				
Total	10,433			
	Value at 31 March 2021	Potential Variance	Value on increase	Value on decrease
2020/21	£million	%	£million	£million
UK Equities (all equities including pooled vehicles)	1,648	19.0	1,961	1,335
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
Pooled Property	324	12.5	365	284
Private Equity	831	28.3	1,067	596
Hedge Funds	293	9.3	320	266
Infrastructure	611	18.6	724	497
Other Alternative Assets	413	7.9	446	380
Loans, Short Term Deposits & Other	313	-	313	313
Investment Balances				
Total	9,616			

MERSEYSIDE PENSION FUND ACCOUNTS

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 2022, was £169.4 million (31 March 2021 £125.0 million). This was held on instant access accounts with the following institutions:

2020/21	Rating (S & P)		2021/22
£000			£000
42,053	Lloyds Bank	Long A+ Short A-1	40,996
72,965	Northern Trust	AAAm	73,153
10,000	Invesco	AAAm	15,000
-	Federated	AAAm	20,000
-	Santander	Long A Short A-1	20,000
125,018	Total		169,149

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

MERSEYSIDE PENSION FUND ACCOUNTS

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 £169 million. The Fund has £7,117 million in assets which could be realised in under 7 days' notice, £1,016 million in assets which could be realised in under 90 days' notice and £2,301 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. The Fund has a net addition for 2021/22 in its dealing with members of £40 million and management expenses of £47 million, this net withdrawal overall, is offset by investment income of £330 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

MERSEYSIDE PENSION FUND ACCOUNTS

employer specific factors, the implied average period across the Fund is 13 years.

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

The key elements of the funding policy are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- Enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, designating and admitted bodies, while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- Maximise the returns from investments within reasonable risk parameters taking into account the above aims.

Summary of Key Whole Fund Assumptions used for calculating Funding Target	31 March 2019
Long Term Yields	% p.a.
Market Implied RPI Inflation	3.40
Solvency Funding Target Financial Assumptions	
Investment Return (Higher Risk Bucket)	4.15
CPI Price Inflation	2.40
Short-Term Salary Increases	Varies by employer
Long-Term Salary Increases	3.90
Pension Increases/Indexation of CARE Benefits	2.40
Future Service Accrual Financial Assumptions	
Investment Return/Discount Rate (Higher Risk Bucket)	4.65
CPI Price Inflation	2.40
Short-Term Salary Increases	Varies by employer
Long-Term Salary Increases	3.90
Pension Increases/Indexation of CARE Benefits	2.40

Note 19 Long Term Assets

2020/21	Long Term Assets	2021/22
£000		£000
3,337	Assets due in more than one year	6,394
3,337	Total	6,394

Assets due in more than one year include future payments of pension strain and accrued loan interest.

MERSEYSIDE PENSION FUND ACCOUNTS

Note 20 Current Assets & Liabilities

"Sundry debtors" 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 2022.

The main components of "Sundry Creditors" 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.

2020/21 £000	Current Assets & Liabilities	2021/22 £000
	Assets	
14,335	Contributions due	16,772
-	Amounts due from external managers	710
5,385	Accrued and outstanding investment income	1,776
-	Transfer Values Receivable	205,761
22,035	Sundry Debtors	22,039
(1,769)	Provision for credit losses	(1,920)
447	Cash at bank	-
40,433	Current Assets	245,138
	Liabilities	
4,920	Retirement grants due	6,011
447	Provisions	-
11,185	Sundry Creditors	16,428
16,552	Current Liabilities	22,439
23,881	Net Current Assets	222,699

Note 21 Contractual Commitments

Commitments for investments amounted to £923 million as at 31 March 2022. (2020/21 £1,016 million). These commitments relate to Private Equity £508.56 million, Infrastructure £96.60 million, Opportunistic Credit £115.87 million, Indirect Property £190.42 million and Other Alternatives £11.77 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

MERSEYSIDE PENSION FUND ACCOUNTS

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, (2020/21 £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 £7.5 million (2020/21 £6.6 million) and a creditor of £0.9 million as at 31 March 2022 (2020/21 £1.1 million).

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 7 and in respect of March 2022 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 Liverpool Hope University. 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 Committee and Pension Board Members formally considers conflicts of interest at each meeting.

Note 23a Key Management Personnel

The Fund's senior management during 2021/22 was comprised of seven individuals: the Director of Pensions, the Head of Pensions Administration,

MERSEYSIDE PENSION FUND ACCOUNTS

Senior Portfolio Managers (x3), Head of Finance & Risk and Senior Manager Operations & Information Governance, the remuneration paid to the senior management during 2021/22 was £495,615 (2020/21 £473,338). In addition, employer contributions of £83,899 (2020/21 £80,601) 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 capacity on investment bodies in which the Fund has an interest:

Officer Name	Position at MPF	Company
Peter Wallach	Director of Pensions	GLIL Northern Pool GP (NO.1) Ltd
Adil Manzoor	Senior Portfolio Manager	Virtus
Owen Thorne	Portfolio Manager	Technology Enhanced Operations Ltd
Alan Robertson	Portfolio Manager	GLIL

Note 24 Additional Voluntary Contribution Investments

2020/21 £000	Additional Voluntary Contribution (AVC) Investments	2021/22 £000
Restated*	The aggregate amount of AVC investments is as follows :	
2,007	Utmost Life	1,819
5,374	Standard Life	5,165
11,114	Prudential	11,114
18,495		18,098
	Changes during the year were as follows:	
2,752	Contributions	
2,055	Repayments	
1,422	Change in market values	

The Equitable Life Scheme transferred to Utmost Life on 1 January 2020.

*For 2020/21 reporting, the information was not available for Prudential at the time the Statement of Accounts were approved, this information is now available and has now been included.

MERSEYSIDE PENSION FUND ACCOUNTS

Scheme Employers with Active Members as at 31 March 2022

Scheduled Bodies

Academy of St Francis of Assisi	Great Meols Primary School
Alsop High School	(Academy)
Bellerive FCJ Catholic College	Greenbank High School
Billinge Chapel End Parish Council	(Academy)
Birkdale High School (Academy)	Halewood Academy Centre for Learning
Birkenhead High School Academy	Halewood C of E Primary
Birkenhead Sixth Form College (Academy)	(Academy)
Bishop Martin CE Primary	Halewood Town Council
Blacklow Brow School (Academy)	Halsnead Primary School
Blue Coat School (Academy)	(Academy)
Brakenwood Junior School	Harmonize (Academy)
Carmel College	Hawthornes Free School
Calday Grange Grammar School (Academy)	Heygreen Community Primary (Academy)
Chesterfield High School (Academy)	Hilbre High School (Academy)
Chief Constable	Hillside High School (Academy)
Childwall Sports and Science Academy	Holy Trinity CE Primary (Academy)
Christ Church Moreton Primary (Academy)	Hope Academy
Church Drive Primary	Hugh Baird College
Church Town Primary (Academy)	Huyton with Roby CE Primary (Academy)
Co-op Academy Bebington	Kew Woods
Co-op Academy Portland	Kings Leadership Academy (Liverpool)
Co-op Academy Woodslee	Kirkby High School
Cronton C of E Primary (Academy)	Knowsley Lane Primary School (Academy)
Cronton Parish Council	Knowsley M.B.C.
Croxteth Community Primary School (Academy)	Knowsley Town Council
De la Salle Academy	LDST – Liverpool Diocesan Schools Trust (Academy)
Deyes High School (Academy)	Litherland High School (Academy)
Dixons Broadgreen Academy	Litherland Moss Primary (Academy)
Dixons Fazakerley Academy	Liverpool City Council
Eccleston Parish Council	Liverpool City Region Combined Authority (LCRCA)
Edsential SLE	Liverpool College (Academy)
Egremont Primary School (Academy)	Liverpool John Moores University
Everton Free School (Academy)	Liverpool Life Science UTC (Academy)
Finch Woods Academy	Liverpool Street Scene Services Ltd
Formby High School (Academy)	
Garston C of E Primary School (Academy)	

MERSEYSIDE PENSION FUND ACCOUNTS

Lord Derby Academy
Maghull High School (Academy)
Maghull Town Council
Merseyside Fire & Rescue Authority
Merseyside Passenger Transport Executive (MPTE)
Merseyside Recycling and Waste Authority
New Park Primary (Academy)
North Liverpool Academy
Nutgrove Methodist Aided Primary
Office of the Police and Crime Commissioner for Merseyside (OPCCM)
Oldershaw Academy
Our Lady of Pity RC Primary School (Academy)
Parish CE Primary (Academy)
Park View Academy
Poulton Lancelyn Primary School (Academy)
Prenton High School for Girls (Academy)
Prescot Town Council
Rainford CE Primary School
Rainford High School (Academy)
Rainford Parish Council
Rainhill Parish Council
Rainhill High School (Academy)
Rainhill St Anns CE Primary School (Academy)
Range High School (Academy)
Roscoe Primary (Academy)
School Improvement Liverpool Ltd
Sefton M.B.C.
Shared Education Services Ltd
Shoreside Primary School
Southport College
St Andrew's CE Primary (Academy)
St. Anselms College (Academy)
St. Edwards College (Academy)
St. Edmund Arrowsmith Catholic 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 Catholic MAT
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)

MERSEYSIDE PENSION FUND ACCOUNTS

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)
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
Bulloughs @ Emmaus
Bulloughs @ SLT
Care Quality Commission
Catholic Children's Society
CDS Housing
Change Grow Live
Churchill @ Sutton
Citizens Advice Liverpool
City Heath Care (St Helens)
Communal (Torus Foundation)
Compass (Scolarest) Liverpool Schools
Compass (Scolarest) Wirral Schools
CWP (NHS)
Dolce Ltd
Friends of Birkenhead Council
Kennels
Fun 4 Kidz
Glenvale Transport Ltd/Stagecoach
Greater Hornby Homes
Greater Merseyside Connexions
Hochtief Liverpool Schools
Hochtief Wirral Schools
Improvement & Development Agency
Interserve (Facilities Management) Ltd
Kingswood Colomendy Ltd.
L&T FM (Chroda)
Maxim @ Bank View
Maxim @ Redbridge
Liverpool Hope University
Local Government Association
Mellors Catering – Birkdale
Mellors Catering - Rainhill
Mellors Catering – St Anns
Mellors Catering – St Johns
Mellors Catering – St Mary & St Thomas
Mellors @ Sutton Academy
Mitie Care Custody Ltd
Orian Solutions
Partners Credit Union
Port Sunlight Village Trust
Sanctuary Home Care Ltd
Sefton New Directions 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)

MERSEYSIDE PENSION FUND ACCOUNTS

Wirral Partnership Homes
(Magenta)

Yunex Ltd

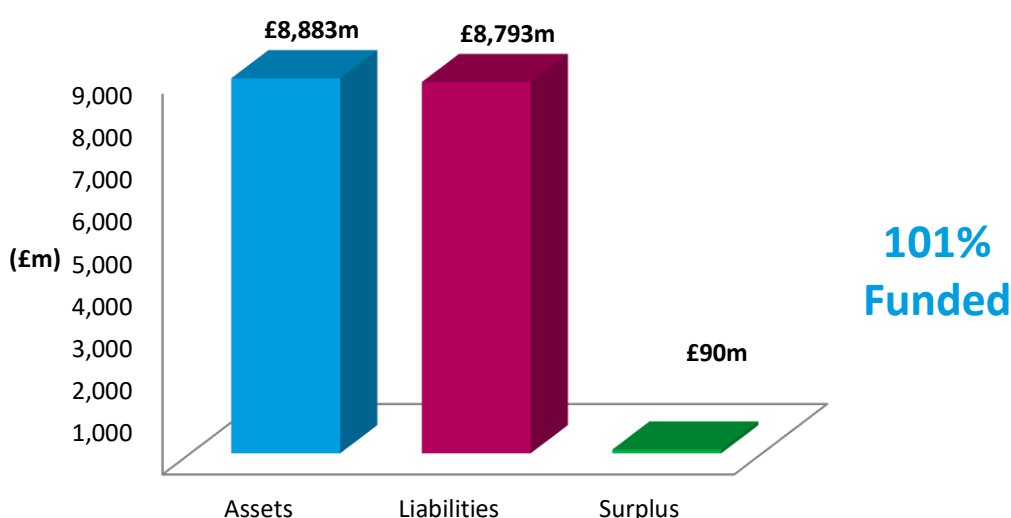
MERSEYSIDE PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022 - 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 may be appropriate to offset some of 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 the last actuarial valuation the average recovery period adopted was 13 years, and the total initial recovery payment (the “Secondary rate” for 2020-2023) was an addition of approximately £0.2m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

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

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

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

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.15% per annum	4.65% per annum
Rate of pay increases (long term) *	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government 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. At the overall Fund level we estimate that the cost of the judgment was 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 as at the last valuation. 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.

The valuation results and employer contributions above were assessed as at 31 March 2019. Since 2020 there has been significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic and more recently the situation in Ukraine and cost of living crisis. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review and will be considered further as part of the 2022 valuations currently ongoing. 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. Contributions will be reviewed and updated as part of the 2022 valuation. In addition the Administering Authority has the power to review contributions between valuations where there is a material change in employer circumstances, 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 2022 (the 31 March 2021 assumptions are included for comparison):

	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.1% per annum	2.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	3.4% per annum
Rate of pay increases*	4.2% per annum	4.9% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	3.5% 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, but we have used the most recent CMI future improvement tables (CMI 2021). 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 increased, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.8% p.a. vs 2.1%). This on its own would have led to a significantly lower value placed on the liabilities but it was offset by an increase in the expected long-term rate of CPI inflation during the year, from 2.7% p.a. to 3.4%.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £13,675 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£286million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£288 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also a decrease in liabilities of £73 million due to "actuarial gains" (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 2022 pension increase award was more 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 2022 is therefore £14,176 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

Mark Wilson
Fellow of the Institute and
Faculty of Actuaries

Mercer Limited
June 2022



ANNUAL GOVERNANCE STATEMENT

2021-22



Annual Governance Statement 2021/22

EXECUTIVE SUMMARY

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

The results of the annual review of the effectiveness of the key elements of the Council's governance processes during 2021/22 are set out in this Annual Governance Statement (AGS). Many of the key governance mechanisms remain in place and are referred to in previous statements, as well as in the Council's Code of Corporate Governance. This statement therefore focusses on the key changes and developments within the Council's governance framework during 2021/22, and up to the date of the approval of the annual statement of accounts.

Pages 8-20 consider each of the seven principles in the CIPFA/SOLACE Framework and demonstrate how the Council has complied with the Framework during 2021/22. For each of the seven principles the AGS highlights:

- the key aspects of the Council's governance arrangements that have developed during 2021/22
- areas where it is recognised governance arrangements can be further strengthened, with comments as to plans in place.

Pages 21-23 summarise actions taken in 2021/22 to address the significant governance issues highlighted in the 2020/21 AGS, namely Financial Resilience and Management, Regeneration and Non-Compliance.

The criteria used for determining the issues considered to be significant governance issues are outlined on page 24.

The significant governance issues facing the Council that have been identified from this year's review of the effectiveness of the Council's governance framework are:

- Financial Resilience– this remains a key challenge for the Council. Priority issues for the next 12 months include achieving the challenging savings target of £18m for 2022/23, further developing the Council's medium term financial plan including identifying options to address the budget gap in future years, taking steps to move to a more transformational approach to meeting required savings in line with Council priorities and reviewing the capital programme to ensure planned levels of capital receipts are achieved.
- Regeneration – it is recognised that there is a need to review aspects of the governance arrangements associated with the scale of the ambition of the Council's regeneration agenda. Risks include capacity of the

regeneration team and provision of appropriate expert technical support, addressing known governance and strategic issues including resolutions around the future of Wirral Growth Company and validating current assumptions concerning capitalisation of staffing costs, and developing the level of understanding over the extent of financial risks, including financial guarantees to developers.

The planned actions in 2022/23 to address these two issues are outlined on pages 25-26.

Based on the annual governance review undertaken, the conclusion is that the Council's governance arrangements overall are effective in delivering against the seven Principles of Good Governance and supporting the delivery of sustainable outcomes.

CERTIFICATION

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

Signed

Page 275



Paul Satoor, Chief Executive

Date : 6th July 2022

Signed



Councillor Janette Williamson, Leader of the Council

Date 11th July 2022

Annual Governance Statement 2021/22

INTRODUCTION

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

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

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

Scope of Responsibility

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

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

By discharging this responsibility (including as accountable body for the Merseyside Pension Fund), the Council is responsible for putting in place proper

arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

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

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

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

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

- Edsential - a Community Interest Company jointly owned by Cheshire West and Chester Council and Wirral Council to provide services to the Education sector: <https://edsential.com/>. The Council owns 50% of the shares in the company and

provides governance oversight via a joint shareholder board with Cheshire West and Chester Council.

- Wirral Evolutions Ltd - a Council owned company, which delivers adult social care services: <http://www.wirralevolutions.org/>. The company shareholder board provides governance oversight. The board membership includes a Council member to make strategic decisions on the behalf of the Council. Operational decisions are taken by the company board of directors. In March 2022 the Council decided to bring this service back in-house.
- Wirral Growth Company - a limited liability partnership between the Council and Muse Developments Limited. The Council and Muse Developments Limited are equal partners in this venture and are jointly responsible for making all decisions. The partnership was created to promote the economic regeneration of the Borough.
- The Council also owns shares in two other companies both of which are currently dormant (Wirral Growth Company Nominee Ltd and Wirral Holdings Ltd).

What is Corporate Governance?

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

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

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

The purpose of the Governance Framework

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

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

Both risk management and internal control measurements are a significant part of the Council's

corporate governance framework and are designed to manage risk to a reasonable level.

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

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

This statement builds upon those of previous years. Many of the key governance mechanisms remain in place and are referred to in previous statements, as well as in the Council's Code of Corporate Governance. These are available on the Council's website: www.wirral.gov.uk. This statement therefore describes the key changes and developments within the Council's governance framework during 2021/22 and up to the date of the approval of the annual statement of accounts.

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

Overview of Governance Framework

Council	Committees including Policy & Resources	Audit & Risk Management Committee	Corporate Governance	Risk Management	Audit
<p>Approve Constitution</p> <p>Approve the Wirral Plan.</p> <p>Approve budget and policy framework.</p> <p>Hold decision making meetings in public</p>	<p>Part 3B of the Council's Constitution details the Terms of Reference for the Council's:</p> <ul style="list-style-type: none"> -Policy and Service Committees - Scrutiny (Joint Health) Committee -Statutory, Regulatory and Other Committees. <p>The Terms of Reference for the Policy and Resources Committee includes:</p> <ul style="list-style-type: none"> -formulate, co-ordinate and implement corporate policies and strategies and the medium-term financial plan (budget) -provide a co-ordinating role across all other service committees and retain a 'whole-council' view of performance, budget monitoring and risk management -undertake responsibility for developing and monitoring the enabling corporate services. 	<p>Scrutinise and approve Financial Statements on behalf of the Council</p> <p>Review Contract & Procurement Procedure Rules</p> <p>Review and scrutinise governance arrangements, including internal and external audit updates / reports, and the management of risk</p> <p>Holds meetings in public</p>	<p>Review performance management and projects against milestones, resource allocation, risks and performance.</p> <p>The Corporate Governance Group has responsibility for overseeing the annual review of the governance framework and the preparation of the annual governance statement</p> <p>Corporate oversight by Council's additional governance boards; including Investment & Change Board</p> <p>The Corporate management team including the role of its three statutory officers: the Head of Paid Service (Chief Executive), the Monitoring Officer and the Chief Financial Officer</p>	<p>Review risk registers for corporate, operational and project risks</p> <p>Corporate risks reviewed by the Senior Leadership Team and Audit & Risk Management Committee</p>	<p>Set the internal audit strategy to meet the Council's overall strategic direction and provide assurance on risk management, governance and internal control arrangements</p> <p>Undertake annual programme of internal audits, present progress reports including recommendations for improvement in systems and control</p> <p>External Audit review and report on the Council's financial statements and vfm conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources</p>

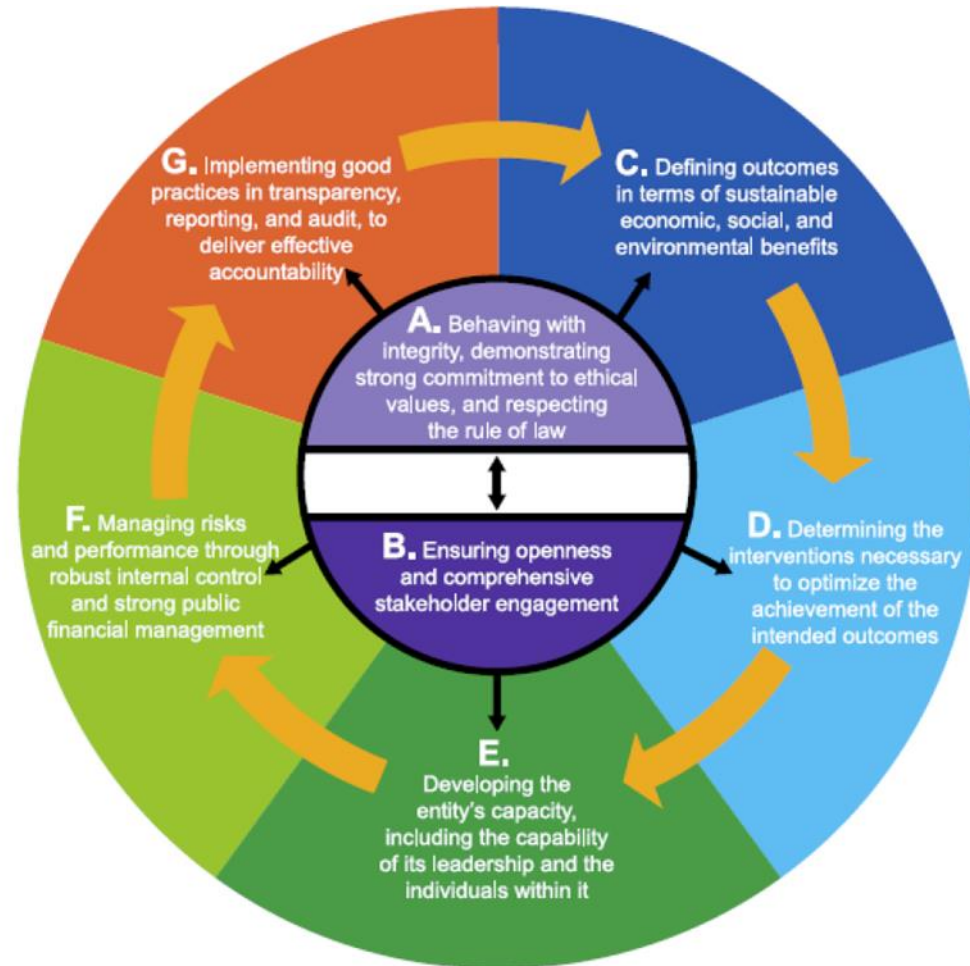
REVIEW OF EFFECTIVENESS

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

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

The results of the annual review of the effectiveness of the key elements of the Council's governance processes during 2021/22 are set out in the table in the pages that follow, demonstrating how the Council has complied with the seven principles set out in the CIPFA/SOLACE Framework during 2021/22.

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



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

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2021/22
<p>A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<p>The Council continues to have strong arrangements in place; with a commitment to ensuring good governance and behaviour and maintaining an appropriate ethical culture.</p> <p>There continue to be a range of arrangements to ensure expectations are clearly communicated to staff; including Chief Executive newsletters, live directorate events, Departmental Management Team (DMT) cascades & team briefings.</p> <p>Developments in year have included:</p> <ul style="list-style-type: none"> - a number of lessons learned reviews where the Council has sought to ensure it is working within the law and learn from challenges elsewhere; examples include a review of the issues arising from the Liverpool City Best Value review and a review of the developments over time in respect of the Hoylake Golf Resort project - further development of corporate arrangements for ensuring compliance with legal requirements in respect of health and safety; including dashboard reporting of risks and activity to the Council's Organisational Performance Group (OPG) <p>Examples of continuing arrangements include:</p> <ul style="list-style-type: none"> - the infrastructure is in place for the Council to ensure Partners comply with required ethical standards through the commissioning and contracting process, e.g. adult social care - established anti-fraud and anti-corruption arrangements, with activity including an annual fraud awareness campaign, proactive and reactive fraud audit work and a bi-yearly review by the Chief Executive, Chief Internal Auditor and Assistant Director HR & OD of hospitality and conflicts of interest declarations. <p>There have been no Standards complaints in year that have raised any serious concerns in respect of Member behaviour. The appointment of two independent members to Audit and Risk Management Committee (ARMC) has reinforced the Council's commitment to transparency. The LGA's Corporate Peer Challenge (CPC) recognised that there is an increased level of trust between staff and Councillors compared to the Council's recent history, with dialogue across political groups, including regular meetings and information sharing.</p> <p>There is a recognition that there is a greater transparency in respect of the expectations of officer and Member behaviour. The culture has developed further and there is now a greater willingness to call-out, challenge and confront Members and officers if their behaviour is not at the standards expected. However, the CPC found that whilst there has been some improvement in Member behaviours, more work is needed to ensure that these are constructive and appropriate in all forums, and the impact that they have on the organisation is recognised. The Independent Panel report noted that the quality of relationships between Councillors and officers hasn't in all cases been one of mutual trust and respect and there have been occasions, including recently, where relationships have been strained which is not conducive to good governance. With the move to a new committee system, a significant area of work has been to establish the new 'rules of engagement' for Members that underpin good behaviour and working with integrity. It is recognised there is still some more to do in this area. The Independent Panel also noted that there is</p>

	<p>scope to improve how closely the three statutory officers (Head of Paid Service, section 151 and Monitoring Officer) work together to ensure the very best governance. (Comments in respect of the Member Development Programme and changes to the Constitution and Committee structure are included under principle E below).</p> <p>There are challenges in meeting statutory requirements relating to assessment and planning for education, health and care plans because of increased pressures, including financial, and escalating needs. The recent Special Educational Needs and Disability (SEND) Inspection highlighted a number of areas for improvement, including the need to strengthen ownership from all partners involved. The Wirral Statement of Action (WSOA) that the Council submitted following the recent SEND Inspection sets out clear plans for the development and transformation of the service to improve timeliness and ensure statutory compliance, and reflects greater partnership ownership of the issues involved.</p>
<p>B - Ensuring openness and comprehensive stakeholder engagement</p> <p>Page 281</p>	<p>From a strong base reflected in recent years' AGSs, there are many examples of new initiatives in year which continue to demonstrate the Council's commitment to openness and comprehensive stakeholder engagement.</p> <p>The CPC noted that the Council has demonstrated strong leadership including Place leadership; with demonstrable achievements and relationships having been built through the Council's response to COVID-19. The CPC and external audit reviews noted various good examples of partnership working including the Council's relationships with local health bodies, Children's Community Safety, Voluntary and Community Sector (VCS) Organisations and key agencies such as the Liverpool City Region (LCR) and Homes England. The Integrated Commissioning Board for Cheshire and Merseyside is now established; and the Place Director for Wirral is now appointed.</p> <p>Examples of good engagement with partners have included:</p> <ul style="list-style-type: none"> - increased consultation with developer partners, - close working with health partners to establish the new NHS integrated commissioning system; including arrangements for the NHS Pooled fund to be reported through the Joint Health & Care Executive Group and for a new Joint Strategic Commissioning Board, to include Members of the Adult Social Care & Public Health (ASC&PH) Committee and Health representatives. The Health and Wellbeing Board has also been re-established with all partner engagement, following an LGA review recommendation. - development of new strategies including the Community Safety policy which was co-produced with Merseyside police. <p>Several of the external assurance reviews carried out in-year highlighted the increased trust and transparency between officers and Members. Examples of this transparent approach during 2021/22 included:</p> <ul style="list-style-type: none"> - the approach adopted for budget reporting and management. The 2022/23 budget was developed with significant engagement of Group Leaders and weekly Finance Sub-Group meetings which helped ensure the required focus and control for approving the budget envelopes and financial targets for Directorates was established. - from the beginning of the new ASC&PH Committee system arrangements have been in place for a monthly budget and performance workshop with members

- a series of meetings between the Chief Executive and Group Leaders in respect of the two assurance reports commissioned by the Department for Levelling Up, Housing and Communities (DLUHC)
- the various member workshops and briefings conducted in relation to the Local Plan which have enabled the Draft Local Plan to be approved by Full Council. The final Submission Draft Local Plan was published on the 9 May 2022 (Regulation 19 consultation) and is due to be formally submitted to the Secretary of State in August / September 2022
- discussions with Members in respect of the Library and Leisure strategies.

The Council's Improvement Plan for 2022/23 includes plans for Group Leaders' Strategy & Planning Sessions and a Joint Member / Officer development programme (including Group Leaders, Committee Chairs and the Senior Leadership Team (SLT)) to help further improve Member / Chief Officer collaboration & relationships.

The Council continues to be committed to effective consultation with the public and service users. Examples in-year have included:

- 'Have Your Say Portal' – recognised by the CPC team as a good tool for resident engagement and consultation; recent 'Have your say' featured consultations have included School Streets, Wirral Libraries Strategy Phase 2, 2022/23 Budget consultations on Public Toilets, Woodchurch Leisure Centre, Europa Fun Pool, Golf, Wirral Tennis Centre and car parking charges
- Other consultations have included two budget consultations, regeneration masterplans, expressions of interest in Community Asset Transfer, West Kirby flood defence wall, Hoylake beach policy and various pulse surveys.

Various initiatives that started as part of the Covid response in 2020/21 have been further developed in 2021/22, including:

- work with over 700 community champions – volunteers who have helped disseminate facts & data locally
- 'Insight' work – the use of local volunteers to seek views and evidence and assist in the battle against fake news.

The CPC highlighted appreciation for the visibility of the Chief Executive and SLT, and their much-improved communication. The Council provides excellent access to meetings with 90% of meetings now webcast, and good access to archive material.

Specific examples recognised externally have included:

- initiatives within Children's services highlighted by DHLUC which has included new strategies being developed around the Community Matters Partnerships, a new prevention framework "Breaking the Cycle," and a "Family Toolbox" website which provides online tools and resources from a network of wider organisations and partners to support families
- the Domestic Abuse Alliance – a partnership approach, co-produced in collaboration with agencies and victims which is now beginning to operate and recognised as one of the most ground breaking approaches.

Related areas where it is recognised there is scope to further develop governance arrangements include:

- the CPC highlighted that in some areas there may be a need to balance the extent of consultation and engagement with the impact of the time required for such exercises. An example highlighted was the the Council's approach to aspects of its budget consultation for 2022-23 which has created delays and challenges for implementation and needs to be addressed in future budget setting processes.

	<ul style="list-style-type: none"> - Grant Thornton reported that the Council’s arrangements are not adequate in relation to aspects of the waste partnership governance arrangements across Merseyside. Recent improvements in this area have included the establishment of a working group of senior officers across the region to address issues and a Chief Executive group meeting concerning waste management. - The Council will be holding all-out elections in May 23; it is keen to ensure that this doesn’t lead to a reduction in collaboration in the run-up to these elections.
<p>C - Defining outcomes in terms of sustainable economic, social and environmental benefits.</p>	<p>It has been recognised externally that the Council has a huge level of ambition, particularly on issues of regeneration, and is committed to delivering better outcomes for local residents.</p> <p>Linked to this, the Council has made and continues to make good progress in defining desired outcomes. Examples include:</p> <ul style="list-style-type: none"> - the Local Plan outlines plans to use major regeneration opportunities on Wirral’s Left Bank to deliver real change and help tackle inequalities, including helping to meet housing and employment needs and reduce deprivation - the Wirral Plan was refreshed in September 2021 to reflect the outcome and lessons learned from the COVID-19 pandemic; it is being further developed to take account of the Council’s Improvement Plan and will include defined outcomes - the Medium-Term Financial Plan (MTFP) and Strategy documents set out the principles as to how the Council will become financially sustainable - the Target Operating Model (TOM) is being finalised and will include a set of principles to help define how the Council wishes to operate going forward - a Service Review for Revenues & Benefits was started in 2021/22. The outcome of this review is helping to determine the programme of service reviews for the rest of the Council, with a draft schedule in place for 2022/23. The principles for the TOM will become the basis for service reviews which will help define target outcomes. - Regeneration masterplans are being produced which will include socio-economic benefits - Climate Emergency Strategy and Policy, with related targets, and Climate Emergency Action Group in place to monitor progress. <p>Other strategies in the process of development which will help define service outcomes include the Health & Wellbeing strategy, being developed for the Health & Wellbeing Board, and the Leisure and Libraries strategies which will be completed during 2022/23.</p> <p>External reviews, such as the LGA CPC, have highlighted that linked to the refresh of the Wirral Plan, further work is required to</p> <ul style="list-style-type: none"> - articulate the wider vision for the Borough and the Council, that brings together the budget, strategic improvement plan, target operating model, and regeneration ambitions into a single narrative and framework that makes clear to all including external partners the benefits to both people and place. It is recognised this will require additional capacity, collaborative working and analysis including between SLT and Group Leaders. - further develop the golden thread associated with this vision into Service Plans, Team Plans and staff appraisals, with a need to articulate the priority outcomes.

	<p>The Council recognizes it needs to prioritise the regeneration agenda and in particular to develop a prioritised delivery plan and timeline for the next 15 years.</p> <p>An area identified from discussions with Directors is the need to improve systems for being able to track spend, interventions and impact. This could include working collaboratively to understand better the correlation between wider Council service delivery and what impacts on the journey for example for looked after children with a view to preventing as many as possible needing high-end provision and reducing the cost of such placements. A linked example was the need to better understand the economic value and benefit of monies spent, or the real impact of plans to close facilities, which would help to better define outcomes in economic terms.</p>
<p>D - Determining the interventions necessary to optimize the achievement of the intended outcomes</p> <p>Page 284</p>	<p>The LGA CPC recognised the strong appetite across the Council for improvement, which is recognised as a priority, and a clear sense amongst staff and Councillors that things are getting better, with improvements having been made to address some historic issues.</p> <p>The learning from the two external DHLUC assurance reports, the LGA CPC and the ongoing support from the Independent Panel is contributing significantly to the resulting development of the Council’s Improvement Plan and the agreed actions are assisting the Council to focus and prioritise and achieve key objectives.</p> <p>A new Medium Term Financial Strategy (MTFS) was approved at Policy and Resources (P&R) Committee on 1 December 2021; this sets out a more realistic assessment of the Council's financial position and provides a series of 14 principles for prioritisation which are helping to inform decision-making and achieve financial sustainability. A Financial Recovery Plan for 2022/23 – 24 is to be completed as part of the comprehensive Improvement Plan.</p> <p>Improvements and issues in respect of financial and performance management are detailed under Principle F below. However, the formation of the Finance sub-group and a Members star chamber to monitor the budget and improvements in corporate performance monitoring and management during 2021/22 are specific interventions that are helping the Council to achieve better outcomes.</p> <p>A key example of determining the interventions necessary to optimise the achievement of intended outcomes has been the development over the last year of the Birkenhead 2040 Framework; a framework for the transformational regeneration of Birkenhead. This has resulted in over £100m of external resources and been widely endorsed by stakeholders, residents and professional bodies.</p> <p>Other initiatives have included, or continue to include:</p> <ul style="list-style-type: none"> - utilising the experience of the programme office to assist with project planning in other depts, e.g. Regeneration and Neighbourhoods - adopting a lessons learned approach to the Council’s response to the COVID-19 pandemic which has led to regular refreshes of the Outbreak Management Plan - the Investment & Change Board’s role in respect of the review and challenge of transformational plans - regular DMT consideration of service planning initiatives and general strategy / savings approaches.

	<ul style="list-style-type: none"> - the Council's active engagement in service consultation (see comments under B above). <p>There are areas where it is recognised governance arrangements can be further strengthened.</p> <p>The DHLUC Governance assurance review highlighted the need to better integrate financial and service plans. Areas identified included:</p> <ul style="list-style-type: none"> - the Council has a strategy and ambitions for Wirral 2025 but there is no effective read across between the goals within the Wirral Plan and the financial realities and choices that the Council needs to make - the Wirral Plan, the MTFs and the TOM, need to be aligned in a clear, costed and timed plan in order to put the Council's finances on a sustainable footing. There needs to be clear accountability for what, how, and when steps to reduce recurrent revenue spend are to be delivered. <p>The Council is embarking on a series of service reviews to help re-design services to deliver better outcomes and efficiencies. The service review methodology, including a VFM assessment, has been developed; and is being used for the current review of Revenues and Benefits. Following its evaluation, the programme prioritisation is to be finalised, including alignment to the MTFP, and the programme initiated in July 2022.</p> <p>The Council recognises it is on an improvement journey with regards to SEND services. The Council's Statement of Action, as signed off by Care Quality Commission (CQC) and the Department for Education (DfE), sets out the action the Council needs to take in response to the priority areas flagged in the latest SEND inspection.</p>
<p>Developing the entity's capacity including the capability of its leadership and the individuals within it.</p>	<p>The Council has made extensive use of external support to boost capacity and corporate development and learning. Examples in year have included:</p> <ul style="list-style-type: none"> - strategic cross-cutting support from the LGA (CPC review, Ada Burns Governance review on behalf of DHLUC, support for the implementation of the Committee system and review of capacity in relation to Resources, Legal Services and Assets), CIPFA (financial assurance reviews on behalf of DHLUC and ongoing critical friend role), and the Independent Panel including access to external support through the Improvement Board over the next 2 years - the use of external consultancy expertise where limited internal capacity exists, for example in connection with the development of the Leisure, Asset and new Economic strategies - the learning from inspections (e.g. SEND) and external audit reviews. - maintaining strong strategic and operational relationships with health partners - good use of peer networks, e.g. Cheshire and Mersey Public Health network and Lawyers in Local Govt - following concerns raised in the DHLUC assurance report an interim Finance Director was appointed to support the 2022/23 budget process and the development of the Financial Recovery Plan. <p>The SLT has undertaken team and leadership development, and within its People Plan work is underway to refresh the appraisal process, communications and engagement.</p>

There have been a number of initiatives to develop capability and capacity. Examples have included:

- the introduction of the Council's new structured training platform for its workforce - FLO
- additional senior capacity within HR and OD
- an internal review programmed which will consider the adequacy of spans of control and succession planning
- a scheme to significantly grow apprenticeships across the Council
- the DHLUC Governance review recognised that resources have been allocated to the Change programme office and to develop delivery plans around the Wirral Plan and that additional capacity and expertise is being drawn down to support the redesign of services; in particular children's and adults social care services where relationships and opportunities to work across other the NHS, schools and other public services are being taken.

Extensive work has also been undertaken to refresh the Member training and development strategy and supporting arrangements. A new and extended Member training programme was developed, to be introduced from May 22. Arrangements for a new Member training portal and induction have been introduced, and there has been LGA mentor support for the new Leader. Further development is planned. The LGA CPC highlighted that further training and development is needed related to Members' specific roles and future ambitions, with an emphasis on learning from across the sector, and a comprehensive Member development programme will be needed linked to the 2023 all-out elections. The Council's Improvement Plan outlines a number of actions planned for 2022/23 aimed at further developing the Member Support Steering Group, the Member Induction programme and the Member Development Strategy for 2023-27.

(Section G refers to the need for continuing development for Members and officers in relation to how the committee system works and report writing).

An asset strategy to ensure the effective use of assets remains an area of focus. There continue to be examples where the Council has been alert to change the use buildings to meet changing need. An Asset Management Plan has been drafted and is awaiting sign-off. An accompanying Asset Disposal Strategy will be commissioned for completion by June 2022 to inform a programme of assets disposals that will support payback of the Council's capitalisation directive.

There is a sense now that the basics are in place and the Council is in a position to build capacity and capability, further refine some of the skill sets required and move towards higher performance, with some highly talented individuals in place. There remain some single points of failure and there is a recognised need to build succession planning.

There are a number of areas where significant capacity issues exist. Several of these have been highlighted in recent external reviews.

A key area of concern is regeneration. It has been recognised internally that there is not enough capacity to develop the approximately 140 projects and there is a need to prioritise projects and confirm a programme for works over the short, medium and longer term. The CPC review reported the delivery of the Council's regeneration ambitions will require careful management, including the necessary revenue investment to

support capacity, management of risk and corporate ‘wrap around’. The Director of Regeneration is currently working on a DHLUC funded review with Deloitte to consider the appropriate delivery model for the regeneration agenda.

The CPC highlighted that whilst governance arrangements of the Council are improving, there is a need for further capacity to support and manage the wider political processes of the organisation, including support to the Leader and Chief Executive. The DHLUC Governance review noted that whilst the move to a Committee system had improved Member engagement, the over-elaborate design was placing a significant administrative burden on officers. The Council responded quickly. Recommendations from a Governance Working Group to help improve the speed of decision making, which included consultation from Members and officers and contribution from the Independent Panel, were reported to the Standards and Constitution Committee, with the refreshed Constitution approved by Full Council in May. The recommendations included reductions in the number of Policy Committees, removal of Urgency and two Overview and Scrutiny committees, change in arrangements for ‘to note’ reports, and proposed extension of delegated authority to officers. Following a review by the Independent Panel, the number of Members serving on ARMC has been reduced with plans in place to meet less frequently. The Council’s Improvement Plan includes actions in 2022/23 to improve support for the Council Leader and political groups.

External reviews, including the CPC, highlighted the need for more corporate capacity at a senior level and to further develop the ‘Top Team’ of the Council, with potential gaps at SLT level. The Council’s Improvement Plan includes actions to:

- strengthen corporate leadership and accountability including an LGA review of Resources, Legal & Assets, a Leadership Development Programme (People Strategy) and Senior Responsible Officer (SRO) training for Chief Officers
- optimise the Council’s Operating Model by ensuring strategic capability is defined and in place; with plans to define the Project Management Framework and Gateway and refresh the Customer Experience, Digital, Asset and Workforce/people strategy by June / July 2022.

Other areas where it is recognized either internally and / or in external reviews that capacity needs to be strengthened include:

- ensuring sufficient capacity and capability in corporate services, and that they are best aligned and work together to effectively support the Councils’ priorities and manage organisational risk; including sufficient financial and legal expertise assigned to the complex delivery and investment vehicles in regeneration
- support for community asset transfers and asset management
- extra performance capacity to support the new CQC regulatory framework from April 2023
- recruitment difficulties in social work, public health, finance, legal, HR and strategic change.

There is a recognition that workforce planning needs to be strengthened; and it is expected that recent senior appointments within HR will help to take this agenda forward.

<p>F - Managing risk and performance through robust internal control and strong public financial management.</p>	<p><u>Financial management</u></p> <p>DHLUC Assurance reviews published on 2 November 2021 were critical of the prevailing culture amongst officers and Members, highlighting a significant risk that the Council would not be able to balance its budget over the period of the MTFS. The reports noted a tendency to avoid difficult financial decisions and use General Fund reserves to meet unexpected events (reserves were comparatively low and the Council had only been able to manage its financial position in 2020/21 through capitalisation of revenue expenditure with a third of savings not delivered). The report commented that the MTFS was not explicit about the scale of the challenge or the tough choices required and there was little evidence of Member support for key savings initiatives, particularly those that require considerable reorganisation. The review concluded that a clear plan about how the Council will fundamentally reshape its finances and the services that they fund was required and until changes were made the financial sustainability of the Council remained uncertain. Grant Thornton’s VFM conclusion for 2020/21 reported significant weaknesses in the Council’s arrangements to ensure it manages risks to its financial sustainability.</p> <p>Immediate action was taken in response to the DHLUC reviews. Processes for budget setting and financial management were reviewed and strengthened. Improvements included</p> <ul style="list-style-type: none"> - strengthening submission and review procedures to ensure the affordability and deliverability of budget proposals - an increase in the Council's general reserve with commitment to further increases and strengthening the process for managing reserves - a new MTFS approved at the P&R Committee on 1 December 2021 gave a more realistic assessment of the Council's financial position and provided a series of principles for prioritisation to inform decision-making. - a commitment to budget envelopes for Directorates for the 2022/23 budget and for P&R to assume overall collective responsibility to ensure Council budget remains balanced. <p>In 21/22 the Council was reliant on exceptional financial support (Capitalisation Directive) to achieve a year-end balanced position but the support required did reduce to £6.5m. External reviews subsequent to the DHLUC Assurance reports, including CPC and Independent Panel, have highlighted that there is an improving recognition of the Council’s financial context and the Council had an improved grip on its finances. For 2022/23 the Council set a balanced budget without the use of reserves.</p> <p>Challenges remain and it is recognised progress needs be maintained. The Council faces challenging savings and efficiencies target of £18.3m in 2022/23 and an ambitious capital programme provides increased revenue pressure in future years. The CPC recognised there is a need for the management of the budget to be a shared priority and to ensure that there is 100% commitment and prioritisation to deliver the agreed budget proposals. This includes bringing forward the budget strategy for 2023-24 as much as possible to provide the time required for proposals to be developed, tested, and consulted on before the 2023 budget date.</p>
---	---

The Council's Financial Recovery Plan, reported under Financial Sustainability in the Council's wider Improvement Action Plan, includes a series of actions the Council either has taken (in response to DHLUC Assurance reports), is in the process of implementing or plans to implement in 2022 and beyond in the areas of strengthening medium term financial planning, implementing robust planning and monitoring of savings, reserves, improving financial governance and oversight, and capital and assets.

Financial risk - regeneration

The Council had recognised that there are governance risks in relation to its Regeneration agenda that could impact its MTFP and had plans in place to improve reporting on legacy projects and financial commitments. Grant Thornton's Auditor's Annual Report for 2020/21, reporting arrangements up to May 2022, reported significant weaknesses in the Council's governance arrangements for investments, partnerships and group companies and that oversight, governance and financial arrangements for the management of regeneration, partnerships and companies requires improvement. Areas of risk identified in the report included the level of understanding over the extent of financial risks, particularly where the Council has issued significant guarantees to developers, and arrangements concerning the accounting treatment for aspects of some of the initiatives. Grant Thornton's key recommendation was that Governance arrangements for the oversight of the regeneration agenda and issuing of financial guarantees for leases and acquisition of assets should be significantly strengthened and accounting advice should be received prior to entering into transactions. The CPC highlighted that further work is required to bring together the multiple regeneration projects (140) into a single place and to support a delivery plan that addresses sequencing, funding, disposals, and bottlenecks. The Council's Improvement Plan highlights several related actions including a review of Council companies and associated risks, a review of risks relating to financial investments and a financing and resourcing model for Regeneration to be put in place – all during May-September 2022, with the Regeneration delivery model business case to be in place by April 2023.

Finance other

As reported in previous AGSs, the corporate financial system underpinning financial monitoring and management is out of date and the quality of financial management information requires improvement. This is a corporate priority and a new ERP system is in the process of being introduced. Implementation was due in April but has been delayed six months.

CIPFA published the Financial Management (FM) Code in October 2019. The purpose of the FM Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The Finance team are currently finalising an assessment of compliance with the Code and associated Standards. The draft assessment is currently a mix of green and amber ratings, with potentially one red risk area in relation to balance sheet management. An action plan is being prepared to address any areas where further action is necessary to fully satisfy the principles of good financial management included within the Code.

Risk management and Business Continuity

Over recent years there has been significant progress in improving corporate risk management arrangements. Established arrangements include a full review of the Corporate Risk Register (CRR) at least annually, with risks subject to review by SLT and ARMC throughout the year, and an ARMC risk management Member sub-group. There are examples where risks are being actively managed through Directorate Risk registers and DMT discussions, although regular review is not always consistently applied across all directorates. Recent activity has included the appointment of two ARMC Independent Members and the provision of risk management awareness training available for all Members in January 2022, an externally facilitated risk appetite session in February 2022, and an SLT focus session in March 2022 to facilitate the review and update of the CRR.

It is recognised more can be done to further strengthen corporate risk management arrangements. An independent review of the Council's risk exposure in relation to all commercial investments has been commissioned and will be completed later in the year.

The Improvement Plan following the external reviews includes actions from June 22 to report the CRR to Policy and Resources Committee and to report on Regeneration and Investment risks in line with external audit guidance.

Work on Business Continuity Plans (BCPs) is progressing. The next phase will include testing with Digital on their response arrangements; this will subsequently provide information for services to further develop their BCPs including in the event of a Cyber Security attack. Key actions planned in respect of Cyber Security in 2022/23 are the implementation of the improvements identified within the 'Cyber Threat Plan' and to achieve Cyber Essentials Plus accreditation; an externally verified accreditation of the Councils' Cyber Security.

Performance management and reporting

It is recognised that not all priorities have been delivered during 2021/2; primarily due to continued reduced capacity due to recruitment difficulties and the ongoing capacity required for COVID-19 responses. The Council has, however, made significant progress in developing database and performance reporting and the improving performance management culture was recognized in the CPC review. Examples in year have included:

- Directors have regular (6 -weekly) performance review meetings with the Chief Executive and Director of Resources supported by PowerBI dashboards
- the OPG now operates at a strategic level to review performance and highlight risks and issues; progress has been facilitated through continuing development of PowerBI databases
- performance data is regularly reported to SLT; SLT have increasingly earlier sight of risks, issues and good practice and are able to task OPG with following-up any performance concerns
- improvements in performance management systems within services, for example, work to implement a new case management system in Legal (to be finalised July 2022).
- improvements in performance reporting for Members, with for example, Children, Young People and Education Committee now having a tailored dashboard in place for Committee Members.

It is recognised that further improvements are needed. The Insight pack reported to OPG monitors against previous activity and benchmark but does not currently monitor against planned or target activity. Regular reporting against the Wirral Plan has not occurred during 2021/22 and it is recognised that a new performance management framework for the Wirral Plan is needed. (An update to the Wirral Plan was agreed in September 2021 and interim Directorate Business Plans (DBPs) were produced for the remainder of 2021/22). Grant Thornton reported that the Council does not have an overarching set of corporate performance indicators that are reported to Members, with current performance management processes operating at committee level, there is no linkage to the Wirral Plan and strategic objectives and the Council's costs per head of population are high compared to other councils.

DBPs have been updated for 2022/23 and the intention now is to map all projects and deliverables across the five themes in the Wirral Plan to produce a new Wirral Plan performance framework. The Improvement Plan provides for the Wirral Plan being refreshed with 2022/23 priorities by July 2022 and a Corporate Performance Framework to be in place by September 2022, which will include an improved set of key performance indicators for where the Council wishes to perform which will be reported to P&R. The Improvement Plan also includes plans to develop a four-year refresh timetable for the Wirral Plan including delivery strategies.

Performance management of staff is recognised as weak in some areas, with some managers not fully utilising existing frameworks to manage poor performance. Recent senior appointments will help improve arrangements going forward.

Internal control and compliance

In his annual report, the Chief Internal Auditor has concluded that the Council generally maintains adequate and effective control and governance processes. There has been a comprehensive programme of audit reviews providing assurance over internal control and governance arrangements across Council activities during 2021/22. Areas identified as major risk in year have included arrangements for Cyber security, controls within the Council's Data Centre and aspects of the processes in place for SEND commissioning. Audits with high priority recommendations have included a review of Evolutions, that contributed to the Council's wider assessment of Evolutions and the decision to bring the service back in-house, and a review of Section 106 arrangements. Previous audit reviews with high priority recommendations yet to be implemented include business planning. Grant Thornton's Annual Auditor's Report acknowledges there is good audit and investigations function that has demonstrated itself to be a dynamic function capable of reacting and responding to changing circumstances.

Significant positive steps have been taken during 2021/22 to strengthen compliance assurance processes and help ensure compliance with policies and procedures. Details of developments in year are provided in the section below that deals with action taken in 2021/22 in response to Significant Governance Issues raised in last year's AGS. The journey has been challenging and more work is to be undertaken. Grant Thornton's annual report highlights issues with procurement compliance. It is recognised that continued action is needed to strengthen procurement and contracting. The Head of Procurement regularly attends DMTs and is actively working with DMTs to improve focus on compliance issues and the quality of compliance reporting, with update reports presented to ARMC.

	<p>As regards information governance, issues have been reported to the Information Commissioner’s Office (ICO) in year as reported in the Information Governance Update to ARMC in March 2022; but no significant issues have arisen to date that are expected to be reported in the 2021/22 annual SIRO report, scheduled to be presented to the October 2022 ARMC. (There were no significant issues in the annual SIRO report for 2020/21, as reported to the November 2021 ARMC). A working group has been established to ensure full compliance with the Payment Card Industry Data Security Standard (PCIDSS). Visibility of data has improved in-year, for example Freedom of Information data is now included in bi-monthly reviews that Directors have with the Chief Executive and Director of Resources.</p>
<p>G - Implementing good practices in transparency, reporting and audit to deliver effective accountability.</p>	<p>The Committee system has brought a high level of transparency across all activity and decision making including all key decisions. The governance structure for committees has enabled a collaborative approach through, for example, briefings and the opportunity for responding to questions from the public. The Council transmits and records approximately 90% of Committee meetings with a high level of transparency also achieved through an active website, the Wirral View and wide social media coverage. The Council has been committed to public reporting of external reviews, with a composite action plan to be reported to P&R Committee on 27 June 2022. The ASCH&PH Committee is assuming the scrutiny role for the whole health and care system from May 2022.</p> <p>There has been a continuing commitment to investing in support and training for effective and transparent report writing. Feedback from external reviews has highlighted there is a need to further improve the quality of reports presented to Committee to ensure content is proportionate and supports positively the quality of decisions. Training has been provided in year and the Improvement Plan provides for further training in report writing, political awareness and presenting reports to Members. The recently introduced Committee Coordination & Oversight group is helping to improve the quality of reports for key decisions. The Improvement Plan includes actions to review and further improve the effectiveness of agenda management, reporting and forward planning for key decisions and Committees.</p> <p>There have been improvements in year in the transparency of audit reporting and the monitoring of outstanding recommendations; up to date information on audits and recommendations is readily available to senior officers and DMTs in a Power BI dashboard and reported regularly to the OPG and SLT. Audit information in the Power BI tool also informs the bi-monthly reviews that the Chief Executive and Director of Resources have with Directors. Further development training for ARMC members was delivered in May 2022.</p> <p>The AGS provides a comprehensive and transparent assessment of the Council’s performance in respect of the principles of good governance and the Council’s Code of Corporate Governance. There are plans to consider the External Auditor’s Annual Audit letter at Policy and Resources Committee going forward.</p>

Progress against the Significant Governance Issues reported in the 2020/21 AGS are set out in the table below:

Significant Governance Issue in the 2020/21 AGS	Action taken to address the issue in 2021/22
<p>Financial Resilience and Management</p> <p>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 and S114 declaration.</p>	<p>Action taken during 2021/22 has included the following:</p> <ul style="list-style-type: none"> • Application for exceptional financial support from government to provide time to bring forward a new MTFS and MTFP • Action plan implemented for financial recovery which addressed the two External Assurance Reviews • Appointment of CIPFA to provide additional capacity and assessment of finances, including budget proposals for 2022/23 (reviewed in 2021/22) • Appointment of Interim Finance Director to provide additional capacity • Establishment of P&R Finance Sub-Group for weekly Member oversight, challenge and scrutiny • Revised MTFP that included scenario analysis for funding, savings and pressures • Revised and more comprehensive MTFS presented and approved by P&R committee and subsequently full Council, which provides strategic backdrop to financial activity and decision making • More robust budget and performance monitoring – 6 weekly meetings with S151 Officer, Chief Executive and individual members of SLT • Establishment of Operational Performance Group to facilitate escalation of budget issues when necessary • In private committee budget workshops to increase Member engagement and improve decision-making process • Dedicated Member training delivered in respect of local government finance and decision-making • New process started early for 22/23 budget setting with more scrutiny of proposals for savings and pressures • Use of budget envelopes for 22/23 budget setting to aid in an effectively planned approach to budget setting • Establishment of Independent Panel to support and scrutinise improvement plan activity • Establishment and agreement by P&R of Change Programme • New approach to savings monitoring adopted to give better visibility on progress and any mitigating actions required • Refreshed Investment and Change Board approach to provide routine monitoring of Capital programme and Change programme activity/progress • Regular reporting of financial activity and in-year forecasts to P&R committee, for Council wide activity at Directorate level, and service committee specific.

Significant Governance Issue in the 2020/21 AGS	Action taken to address the issue in 2021/22
<p>Regeneration</p> <p>If the major regeneration projects fail to deliver the anticipated benefits, it would undermine the Council's budgetary position, its economic growth aspirations and public and investor confidence in the authority.</p> <p>Closely linked is the need to ensure the Council's arrangements for the consultation, publication and implementation of the Local Plan are delivered as failure to do so could result in intervention, a loss of control over future development and missed opportunities to promote economic growth</p>	<p>The establishment of the Regeneration Programme Management Office (PMO) in 2021 strengthened the oversight of projects and began the process of standardisation of milestone and risk reporting. The development of Risk, Assumptions, Issues and Dependencies (RAID) logs for all the regeneration projects was an early priority of the PMO. In addition, corporate risk workshops were held on the major projects being taken forward and this was co-ordinated by the Corporate Risk Continuity and Compliance team.</p> <p>Regular performance reporting procedures through Regeneration portfolio boards and then onto the Investment & Change Board (ICB) and OPG were strengthened. This has allowed for early identification of any reduction in project benefits to enable alternative methods of delivery to be put in place and also, if necessary, for mitigating measures to be put in place should they be required.</p> <p>Work took place on identifying the organisational structure required for the delivery of the major regeneration projects and this resulted in the recruitment to three Heads of Delivery posts. Additional capacity and capability was also brought in through interim appointments in order to strengthen the delivery of the major projects and to ensure that outcomes and outputs associated with each of the projects was on track.</p> <p>Full Council approved the Local Plan Draft Submission Plan for Publication under Regulation 19 at its meeting on 21st March 2022. Publication under Regulation 19 commenced on 9th May originally to be completed on 24th June 2022. Following a quality assurance exercise, which identified a number of potential matters which could have led to a risk of legal challenge preventing the submission and or adoption of the Local Plan, on 13th June the Regulation 19 period was extended to 25th July 2022.</p> <p>Following the end of the Regulation 19 Stage on 25th July 2022 the Council will need to collate all representations received, identify key issues raised and then submit to the Planning Inspectorate to commence the Local Plan Examination. The deadline for submission set out in the adopted Local Development Scheme is September 2022.</p> <p>A detailed process has been established to review and collate representations and identify key issues. Team members have been trained on the representation review process and experienced backup up from external consultants has been arranged.</p> <p>The Programme Officer who will run the Examination for the Inspector has already been appointed and discussions are ongoing with the Planning Inspectorate to agree a Service Level Agreement for the Examination.</p>

Page 294

Significant Governance Issue in the 2020/21 AGS	Action taken to address the issue in 2021/22
<p>Non-compliance with Policies and Procedures</p> <p>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.</p>	<p>The Council has in place and has further developed during the 2021/22 financial year compliance assurance processes across the organisation. The budget setting process reflects the importance of compliance and legislative requirements by reflecting this position within that operation, specifically the requirement to detail any of these issues on budget setting forms. It is a requirement of managers to highlight any issues of legislative and regulatory requirement within that process so that resources can be directed accordingly to support any issues that may emerge and require support.</p> <p>The Council has in place a revised corporate governance group that has the role of ensuring that the Local Code of Governance is complied with. In order to ensure this the governance group oversees, scrutinises and challenges the appropriate sections across the Council on the major issues of compliance to ensure their robustness, enhance development, compliance and assurance. Key performance indicators are regularly reported, specifically around procurement. Detailed work has been undertaken with service areas to improve procurement PI performance with the direction of travel being positive, whilst recognising that further work is required. The risk register is a key document for the Council in identifying issues and formulating management action. Service risk registers are regularly challenged to ensure their relevance and that they are up to date. A lot of detailed work has been undertaken during the year to develop this area to reflect the challenges that the organisation has specifically around financial sustainability, procedural compliance, regeneration agenda.</p> <p>The Council has a range of Officer groups on compliance areas that reflect their importance and are a vehicle for managing those areas effectively. For example, a health and safety officer group consisting of the key officer including the Chief Executive that ensures that the H&S Policies are up to date, reflect current legislative requirements and new developments within the Council, for example home working policies. Other Officer groups are in existence for information governance, budget financial compliance.</p> <p>It is recognised that strong leadership and understanding of the organisation is key to the successful operation of the Council. In order to develop capacity in this respect a new member training package has been compiled to build knowledge, identify the key challenges that the Council faces and hence result in a clear direction of travel for the organisation with regards to financial sustainability, meeting the residents needs, and ensuring that the organisational compliance issues are all managed robustly and effectively.</p> <p>It is considered that significant positive steps have been taken during the year to ensure compliance with policies and procedures. The journey has been challenging and more work is to be undertaken, especially around emerging issues specifically external reports that the Council received during 2021-22 from DLUHC. However, action plans have been produced, and these will be closely supported, challenged and monitored to ensure progress and successful achievement. The work that has been undertaken during 21-22 has provided a firm basis for the organisation to move forward and address these new requirements for which it can be said that it is expected that there will be a positive and good outcome for the Council.</p>

SIGNIFICANT GOVERNANCE ISSUES

The following table details the Significant Governance Issues facing the Council that have been identified from this year's review of the effectiveness of the Council's governance framework. In preparing this statement, the criteria used for 'significant governance' are issues which:

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

Significant Governance Issue	Action proposed during 2022/23	Lead Officer
<p>Financial Resilience</p> <p>Priority issues for the next 12 months include:</p> <ul style="list-style-type: none"> -achieving savings target of £18m for 22/23 -identifying options to address the budget gap for 2023/24 & beyond (latest estimate 23/24 £14m) -further developing the Council's medium term financial plan -making steps to move from stand-alone savings proposals to a more transformational approach in line with Council priorities or themes. -procedures in place for active review of the capital programme to ensure planned levels of capital receipts are achieved. 	<p>Action taken or planned for 2022/23 includes the following:</p> <ul style="list-style-type: none"> • For the 2022/23 budget approval process; a more robust and prominent Section 25 statement in budget report, further review of non-statutory services to ensure that spend/resourcing does not negatively impact on statutory services, no use of reserves, General Fund balances increased. • Robust review of financial pressures, savings and income proposals as part of budget setting exercise • More robust monitoring and forecasting of reserves in-year • Implementation of defined processes for in-year monitoring of the 2022/23 budget and 2023/24 budget setting process as per P&R paper in March 2022. • Establishment of Member Star Chamber to challenge and monitor savings progress in-year • P&R Finance Sub Committee to meet regularly • Renewal of Investment & Change Board (ICB) agenda and focus as part of governance review to ensure clear lines of reporting, which will cover capital receipts monitoring • Establishment of Community Asset Transfer project and new process agreed at P&R • Agreement for all-out elections • Budget timetable for 2023/24 brought forward with all consultation to have taken place by December 2022 • Presentation of Council Improvement Plan to P&R and full Council, which will address financial stability. (Reflecting on progress to date, the first Independent Panel report back to DLUHC was positive) • Progression of the Improvement Plan - the Council's Financial Recovery Plan, reported under Financial Sustainability in the Council's wider Improvement Action Plan, includes a series of actions to be implemented in 2022/23 in the areas of strengthening medium term financial planning, implementing robust planning and monitoring of savings, reserves, improving financial governance and oversight, and capital and assets. • A refresh of the proposed Wirral Plan priorities for 2022/23 which provides the strategic framework upon which the Medium-Term Financial Strategy (MTFS) and Medium-Term Financial Plan (MFTP) are built and ensures only priorities are undertaken. 	<p>Shaer Halewood Director of Resources</p>

Significant Governance Issue	Action proposed during 2022/23	Lead Officer
<p>Regeneration</p> <p>There is a need to review aspects of the governance arrangements with regards to the regeneration agenda and the issuing of financial guarantees.</p> <p>Governance risks associated with the scale of the ambition of the Council's regeneration agenda include:</p> <ul style="list-style-type: none"> - the capacity of the regeneration team and the support required including legal, financial and commercial advice - addressing known governance and strategic issues, including resolutions around the future of Wirral Growth Company and validating current assumptions concerning capitalisation of staffing costs - developing the level of understanding over the extent of financial risks, including guarantees to developers. 	<p>The Regeneration PMO was introduced during 2021 and in the coming year will be fully operational. The following actions are being progressed to provide assurance and to support the governance of the programmes:</p> <ul style="list-style-type: none"> • A PowerBi Dashboard has been created and standardisation of templates is being rolled out to support the dashboard to provide a live reportable dashboard. • RAID Logs have been created for each programme / project and the roll out across the portfolio of projects will be completed. • Cost Breakdown Structure templates have been created. Cost information is being gathered from project managers to populate the template and then the roll out and training of this template will commence. • Key milestones have been agreed and are being gathered for each project. Standardisation of project plans in Microsoft Projects is also underway to help enable easier upload to the dashboard. • The Project Directory is a live document that holds the information for the 148 projects; it includes a unique Project Identification which helps sort the information in the dashboard. <p>Monthly highlight reports are considered by the Regeneration Board, chaired by the Director; this provides oversight of the programme with reports subsequently provided to ICB and OPG. This arrangement will continue in 2022/23.</p> <p>Following agreement by the Policy and Resources committee in March 2022 the focus of the Wirral Growth Company will be targeted on the Birkenhead offices, the market and Moreton Pasture Road. Legal agreements will be finalised in order to amend the Partnership and Options agreements in line with the report's recommendations.</p> <p>The interim structure of the regeneration team has been agreed and recruitment will continue. This will include the appointment of consultants to provide necessary short term specialist advice to increase the capability of the team. Appointments made by the regeneration team will include commercial advisors, land acquisition specialists and a finance strategy advisor. These posts will work with the relevant Council departments as well as regeneration. The legal department have progressed the appointment of solicitors to provide a triage service.</p> <p>Actions included in the Financial Sustainability section of the Council's Improvement Plan include:</p> <ul style="list-style-type: none"> - agreement for the process and method for the capitalisation of salaries with Grant Thornton (planned for June 2022) - a review of Council companies and associated risks, a review of risks relating to financial investments and a regeneration financing and resourcing model to be in place by September 2022 - the regeneration delivery model business case to be developed during April 2022 – June 2023. 	<p>Alan Evans, Director of Regeneration & Place</p>

CIPFA Financial Management Code

The Chartered Institute of Public Finance and Accountancy (CIPFA) published the Financial Management Code (FM) in October 2019. The FM Code provides guidance of good and sustainable financial management in local authorities, giving assurance that authorities are managing their resources effectively.

The FM Code requires the Council to demonstrate the process they have in place to satisfy the principles (set out below) of good financial management, which is essential part of ensuring the public sector finances are sustainable. The FM code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing practices and sets out explicit standards of financial management. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

Good financial management leads to improved financial resilience that then enables sustainable public services with the equate resources to deliver what is expected.

The FM Code builds on existing CIPFA Codes, the Prudential Code for Capital Finance (PCCF), The Treasury Management Code (TMC), the Code of Practice (CoP) which the Council already complies with. By following the principles of the FM Code it is expected the Council can evidence how it is meeting these legislative requirements.

The first full year of compliance was 2021/22 and during 2020/21 Councils were allowed a period to demonstrate how they are working towards the FM Code.

The FM Code is based on **six principles** of good financial management as set out below:

1. Organisational **Leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisation culture.
2. **Accountability** – based on the Medium-Term Financial Planning, that derives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
3. Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer actions and elected member decision making.
4. **Adherence** to professional standards is promoted by the leadership team and is evidenced.
5. Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
6. The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

There are minimum standards which must be adhered to in the FM Code to demonstrate compliance. The FM Code is principle based and not prescriptive.

The Financial Management Standards are summarised below

1. The responsibility of the chief finance officer and leadership team
2. Governance and financial management style
3. Long to medium-term financial management
4. The annual budget
5. Stakeholder engagement and business plans
6. Monitoring financial performance
7. External financial reporting

Recommendations and Next Steps

- Review by Director of Resources
- Agree next steps for implementation of changes into business
- Agree timescales and owners

An assessment of the current compliance to the FM Code for the period to 31/03/22

This initial assessment has been completed to obtain a snapshot of the Council’s current compliance against the six principles and the standards set out in Appendix A and B.

The compliance to the Code and Standards A to Q have been RAG rated (red, amber and green) to enable discussion and to identify the gaps and approach to become compliant. Evidence of compliance is required.

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
1. Responsibilities of the CFO (Director of Resources/S151 Officer) and Leadership Team						
A	Leadership team can demonstrate that the services provided by the authority provide value for money	17-18	Legislative requirement for Authorities to deliver Value for Money (VfM). Delivery for VfM depends on decisions by Elected Members. Shared responsibility across the Leadership Team to communicate and understand the risks involved	<ol style="list-style-type: none"> 1. Following the application for Capitalisation support in 2019/20 and 20/21 and the review by Ada Burns a number of recommendations are being introduced to add additional strength to the VfM controls and governance arrangements. 2. Independent Review Panel exists following capitalisation support. 3. Committee reports include a financial implication section. 4. 2022/23 budget saw improved business case and challenge of savings. 5. Service reviews have commenced as part of the CIPFA benchmarking with a schedule of reviews planned. 6. External Auditors have raised concerns on the VfM report and the AAR regarding governance of companies, accounting of profits. 7. All services as part of management reporting and budget setting are reviewed. 8. Plan, report and monitoring system via the CGG has been established to deliver the recommendations in the 	<ol style="list-style-type: none"> 1. Independent review panel as part of the Capitalisation is in place and continue working to support the authority 2. Continue to improve the monitoring and reporting of saving and pressures for in-year, budget and MTFP is in place with clear business proposals and business cases. This will be reported every six weeks to P&R. 3. Consider how Leadership reports will incorporate VfM recommendations and monitoring. 4. Benchmarking to be utilised when completing service reviews which will include establishment reviews, delivery/achieving outcomes, mitigating actions. This will help determine if provide VfM or highlight areas of concern. Other benchmarking will include investigating high-cost service areas as part of the MTFP principles. 5. Further work is being undertaken on compliance and assurance, especially on 	Amber

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
				<p>Ada Burns review to ensure savings and pressures are identified.</p> <p>9. Monitoring of Saving and Pressures are now being reported to P&R using Power BI</p> <p>10. All procurement contracts have a VfM assessment.</p> <p>11. The leadership team and the Director of Resources regularly meet with elected members and committees to bring to their attention the financial position of the Council, service committees are directed to make decisions which are then ratified, rejected or alternative decisions made at Policy & Resources Committee (P&R).</p> <p>12. New constitution saw committee structure reintroduced with all parties represented on P&R and increased member scrutiny of finance matters. This has further been refined following recommendations by Ada Burns as part of the Capitalisation Directive request</p> <p>13. Financial Sustainability of the Organisation - That the annual budget setting, is robust and resilience of medium financial management decisions is aligned to the MTFP and follows the MTFs principles.</p>	<p>procurement, a suite of Governance KPI's is being developed.</p> <p>6. Saving reports to be scrutinised and remedial action implemented, if required.</p>	
	The authority complies with the CIPFA Statement of the Role of the Director of Resources in Local Government.	18-19	The Director of Resources is required: Is a key member of the Leadership Team, helping in the development and implementation of strategy and	The Director of Resources is a key member of the SLT developing and implementing strategies and policies.	Budget savings submissions to include Director Accountability statement sign off. This enhances and develops a collaborative approach to financial management of	Green

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
			to resource and deliver the organisation's strategic objectives sustainably and in the public interest.		the organisation. The budget process and MTFS are in alignment with the strategies of the organisation.	
		18-19	Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered. Alignment to the financial strategy of the Authority.	<p>The Constitution approved in September 2020 and refreshed in 2022 sets out the role of the Director of Resources and how material decisions are made. Regular reports to SLT on items that may put the organisation at risk</p> <p>Revenue, capital and key KPIs reports are actioned via P&R Committee and Power BI reports The Council has integrated the MTFS and MTFP in to the decision making process in general and via its TOM plans and actions.</p>	No action	
		18-19	Must lead the promotion and delivery by whole organisation of good financial management so the public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.	<p>The Director of Resources works closely with SLT and finance to develop good financial management and this is further being developed throughout 2021/22. CGG monitor financial sustainability plans and risk management reviews of the Council.</p> <p>The appointment of a Financial Assurance Manager in 2021 to oversee, review and improve financial processes with regard to budgeting, business cases, management reporting.</p> <p>Procurement PI's are reported on a regular basis and compliance, assurance and good principles developed. Action plans have been developed, implemented and monitored in response to DLUHC</p>	No action	

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
				and Assurance reports, incorporating financial management, governance and assurance.		
		18-19	Director of Resources establishes reporting and monitoring including treasury management, capital affordability and risk into the overall financial planning process.	<p>Quarterly reporting of revenue to services/committees and P&R is a standard reporting and all reports are required by the Director of Resources and senior officers for review prior to publication. Whole life costing is incorporated into decision making, especially around capital. Risk Management of Treasury Management.</p> <p>Treasury Management (TM) function complies with the TM Code of Practice and risk factors are fully recognised in decision making, including revenue and whole life costings. Monitoring reports are regularly produced for Officers and Committees.</p>	No action	
		18-19	Must lead the finance service and is resourced to be fit for service.	<p>The finance function had from 2020/21 its senior management level fully resourced with permanent experienced public sector Officers. Areas of the function was reliant on new officers and temporary staff and this is being addressed. A review of the finance structure is planned in 2022/23. DLUHC report stated that the Director of Resources has a wide remit more focus is required on finance only, hence extra experienced resource was brought in for 22-23 budget setting and a broader review is being conducted to facilitate a long-term solution.</p>	<p>Finance structure and reorganisation planned for 2022/23.</p> <p>Appointment of a Director of Finance is in progress, aim is to appoint by March 2023.</p> <p>Implementation of the LGA review of Resources Directorate</p>	
		18-19	Director of Resources must be professionally qualified and suitably	The Director of Resources is a CIPFA qualified Accountant and	No Action – Fully Compliant.	

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
			experienced.	has many years experience at a senior level across a number of Authorities		
		18-19	The Director of Resources of the Local Government Pension Scheme (LGPS) administering body satisfies the requirements of CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2013).	The LGPS is administered by the Authority and under the responsibility of the Director of Resources	No Action – Fully Compliant	
2. Governance and financial management style						
B	The authority complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government	18	CFO must ensure that they fulfil their personal legal and professional responsibilities in the public interest and in recognition of the other statutory service responsibilities of the authority.	The leadership team support and the S151 officer in their responsibilities and execution of those. See detail in above section re how the Council complies with the CIPFA Statement of the Role of the Director of Resources in Local Government	No Action	Green
C	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	22	The Constitution and the Scheme of Delegation ensures internal and financial controls are in place with assigned responsibilities to appropriate officers.	The Constitution sets out clearly the Finance Procedure Rules for budgets, actuals, virements and the role the budget holder has in this and their remit. The remit of the Audit and Risk Management Committee and other Committees is referenced. The Leadership Team gives high priority to governance and control. The Chief Exec meets regularly with the Chief Internal Auditor and audit information has been included in Power BI from Mid-2021. The Director of Resources attends the Corporate Governance Group. Membership also includes Director / Deputy Legal, and representatives from audit and risk. Oversees governance and compliance issues for the Authority.	No Action	Green

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
				<p>Internal controls are undertaken based on an agreed action plan and provides assurance regarding risk, governance and internal controls.</p> <p>There is a well resourced internal audit function that has a committee agreed annual programme and interacts with external audit who place reliance on compliance audits and others.</p> <p>The Council has a Local Code of Governance in place that pays due regard to the SOLACE key principles and CIPFA guidance on Governance.</p>		
D	The Authority applies the CIPFA / SOLACE Delivering Good Governance in Local Government Framework (2016)	22	Review of the effectiveness of the system on internal control is reported in an annual governance Statement, that is reported along with the Statement of Accounts.	<p>The Council prepares the Annual Governance Statement (AGS) in line with the framework. A draft is presented to the Audit and Risk Management Committee (ARMC) for comment and approval as part of the Statement of Accounts delivery annually.</p> <p>CIPFA/ SOLACE Framework applied – see AGS which highlights strengths, improvements in year and development areas where exist for each of the 7 principles. Action Plan prepared for any Significant Governance Issues identified.</p>	No Action	Green
E	The Financial Management Style of the Authority supports financial sustainability	22-23	<p>Strong financial management is assessed against a hierarchy of:</p> <ol style="list-style-type: none"> 1. Delivering accountability 2. Supporting performance; and 3. Enabling transformation <p>Which financial management style is the organisation at: -</p>	<p>The Council has adopted a Business Partnering (BP) model that supports managers to deliver financially sustainable services by providing challenge, advice and support.</p> <p>This is supported by Senior Finance Managers (SFM) and</p>	<p>Continue to develop the financial skills and accountability of budget holders and senior managers to achieve VfM and improved performance. Including training for Members.</p> <p>All out four-year elections from 2023 will bring long term decision making</p>	Amber

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
			<p>Organisationally inclusive, strategically co-ordinated, business case focused, performance management driven, supportive and collaborative to achieve the desired outcomes.</p> <p>The budget setting process enables the directing of resources in line with key strategic documents, for example the Wirral Plan and capital strategy, ensuing they are used effectively. Supporting Officers in this regard, reporting on and improving performance, this enables the organisation to be transformative and delivering effectively and effectively for its residents.</p>	<p>Director of Resources and Assistant Director - Finance and Investment.</p> <p>Budget holders are responsible for spend against their budgets.</p> <p>Budget setting started early to ensure a balanced 5-year plan can always be maintained</p> <p>Committee reports have a financial implication section</p> <p>MTFS is a key part of the new TOM of the Council. Due regard of the MTFP and MTFS is taken account of in-service reviews and budget setting, This, therefore, supports financial sustainability.</p> <p>Committee budget workshops are now integral as part of the budget review, setting thereof and implementation and monitoring of potential adverse variance on budgets and to identify budget proposals.</p>	<p>and stability.</p> <p>Through the Independent Panel there will be additional support and understanding as its members (including 1 former s151 Officer) bring prior experiences and recommendations. This will continue until the Chief Executive feels we can discharge the panel.</p> <p>TOM is due for completion during 2022 to ensure compliance.</p>	
E	Develop financial management capabilities	22-23	Transformation is only achieved by financial management style that supports performance and accountability.	<p>Regular detailed financial reporting, inclusive of forecasts, is delivered to senior officers and P&R committee in order to make clear financial activity across the organisation so that service areas can be called to account as necessary. Reporting, governance and financial, oversight of Council Companies.</p> <p>Member knowledge and training, transparency of decision making.</p>	<p>Budget holder training</p> <p>Service Committee budget workshops continue to develop.</p> <p>Extensive Member training on their responsibilities, including financial is undertaken</p> <p>External advice on the governance and accounting of group companies is in action for 2022.</p> <p>Further develop the effective reporting, governance and financial, oversight of Council Companies</p>	

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
					<p>Oracle Fusion and self-serve to make budget holders accountable and as a result changing the way that business partnering is provided so that the FBPs add more value.</p> <p>Oracle Fusion will bring enhanced financial self-serve facilities to budget holders, making financial information more transparent and consequently budget holders will become more accountable. As a result, changing the way that business partnering is provided so that the FBPs add more value</p>	
E		22-23	Review of management style and movement through the hierarchies in response to risk. This links directly to VfM.	<p>Development of supporting services to achieve VfM, monitoring and decision making is in development.</p> <p>Work by the Director of Resources to develop a platform for proactive decision making is underway were Budgets, Revenue, MTFS and MTFP is looked at holistically including the use of reserves and capital assets. The MTFS brings together the link between the Wirral Plan, service delivery and financial constraints including the guiding principles to achieve improved financial resilience.</p> <p>The transparency of the MTFS and MTFP is effective. Being reported to Members and is integral to plans and service reviews. This is having a positive effect on financial knowledge and hence developing FM capabilities.</p>	Continuation of the improvements from 2021 with regard to decision making and transparency. Greater assurance challenges will be further developed in 2022/23 following the appointment of an Assurance Manager in Finance.	
3. Long to Medium Term Financial Management						
F	The Authority has carried out a credible and transparent financial resilience assessment	25-26	Requirement to test sustainability against scenarios of cost drivers, service demands, resources and key risks. Review alternative	The monitoring of revenue in year and Outturn provides budget holders with information and BP's support this. This information	Assessments from CIPFA and Ada Burns in 2021 have created an improvement plan which is being implemented and reported upon to	Amber

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
			options to match demand and resources. Exposure to long term revenue and expenditure risks.	<p>informs financial planning. Improvements are required due to a number of issues, systems, staffing of experienced budget holders who own budgets etc.</p> <p>Scenarios are modelled as part of the Budget and MTFP.</p> <p>Annual consideration of appropriate level of general reserves and the robustness and adequacy of estimates.</p> <p>CIPFA supported the Council in benchmarking.</p> <p>CIPFA and Ada Burns reports were assessments of financial resilience which have lead to recommendations and actions via the improvement board which are being reported and monitored.</p> <p>Service reviews have commenced for example the decision to bring the service of Wirral Evolutions back in-house from October 2022.</p>	<p>the independent panel. Independent Panel to continue to monitor progress and report to DLUHC.</p> <p>To use service review tests to review whether to stop/make/buy options i.e. traded services reviews</p>	
F		25-26	Critical evaluation of financial resilience	<p>The Authority has undertaken the course of action to seek from HMT via DLUHC a capitalisation direction which has been approved.</p> <p>Work on the financial resilience of the authority is the highest priority of this council in order to ensure the ability to provide essential services and protect the vulnerable.</p> <p>SLT, Directors, AD's, Budget holders are all involved in the MTFP.</p>	<p>Approach to MTFP to manage resources is continually being developed and enhanced year on year.</p> <p>Ongoing reporting from Independent Panel to DLUHC will support evidence of financial resilience.</p>	
F		25-26	Use of the Financial Resilience	Currently the Council does not use	Continue to use the concept and	

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
			Index to identify pressure points. Stress testing the financial resilience has been carried out, if not then Authority can't be regarded as financially sustainable, and test is failed!	the Financial Resilience Index, however we do use the concept and the data from the financial resilience index but on a more up to date and frequent basis to allow us to come to a view.	data from the financial resilience index to help form views.	
F		25-26	High level capital investment and associated borrowing should adopt a long-term approach	Capital Resources have been deployed for long term benefits. For example, Strategic Acquisition Fund has helped drive regeneration initiatives. IT capital investment is for longer term benefit. Capital bids are assessed against strategic priorities.	Further work to be undertaken on prioritisation and programming to exploit opportunities for future capital investment. CIPFA are involved in reviewing use of capital. Look at extra care housing in the longer-term and regeneration to save future running costs and generate more income.	
F		25-26	Prudential Code requires Authority to have a Capital Strategy	Capital strategy is presented annually to P&R and then Full Council.	No Action.	
G	The Authority understands its prospects for Financial Sustainability in the longer term and has reported this clearly to members	26	Having carried out the financial resilience assessment (H) the Authority needs to demonstrate how risk is identified and have informed the long-term financial strategy	Regular reports to P&R Other items such as regen programme to generate future income flows for financial resilience. 5 Year MTFP.	Service committee budget workshops continue to improve. Action from Government to provide a longer-term settlement which would help with our longer-term plan for sustainability.	Amber
G		26	Overarching strategic vision, including how the Council will achieve outcomes, and interventions, with alignment to the Wirral Plan	Through the introduction in 2020 of the Committee system this has allowed greater challenge of the financial sustainability of the Council. Improvements made in 22/23 budget and MTFS to ensure there is a direct correlation through the strategies and financial implications. The Council produces a five-year MTFS and MTFP and a corporate plan, change programme and TOM.	More work is required to develop the MTFS and MTFP for 2023/24 to be more accountable and transparent. And to link in with the Business plans of services with financial planning. Implementation of the TOM to be completed and monitoring to be introduced. Monitoring against the Wirral Plan, in year revision of the MTFP against economic and known influences, to be considered and actioned. The improvement plan delivered to DLUHC and the Enabling strategies	

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
				Budget business cases must reflect and integrate strategic plans including the Wirral Plan.	will ensure direct correlation to vision.	
G		26	How has the Council undertaken a visionary exercise to understand the shape of services in the future? This needs to be sufficiently comprehensive to identify financial sustainability	The principles have been agreed of the new operating model which we are taking forward as part of the service reviews. These principles link to the Wirral plan vision.	Business planning links to the Wirral plan directly and is refreshed when required. Resilient Communities programme will look at how we provide services for the future, plus other things like co-location, regeneration enabling leisure strategy and health and wellbeing.	
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities	26-27		The Council produces a Capital Strategy which is presented annually to P&R and Full Council. Treasury monitoring is reported to P&R including statements of compliance with prudential indicators.	No action.	Green
I	The Authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	27	Translation of the long-term view into a more detailed medium-term financial plan. The time frame of which should support financially sustainable decision making. Clearly linked to service plans.	The authority has a MTFP for five years and this has been going through a transition of improvements recently. The MTFP is clearly linked to services/directorates.	Business plan development and liaison with service committees accordingly. These will include improved saving and pressures, deliverability timetables.	Amber
4. The Annual Budget						
J	The Authority complies with its statutory obligations in respect of the budget setting process.	29	These are mainly covered by Part 2 of the Local Government Act 2003. This includes robustness of estimates included in the budget, financial monitoring and reserves. It also includes s114 of the Local Government Act 1988. Which requires the Director of Resources to report to Council any unlawful budget (unbalanced) and take the appropriate action.	2020/21 and 2021/22 The council entered into an approved capitalisation direction as it was reported by the Director of Resources that without this directive a s114 would be reported. All estimates are reviewed by the Director of Resources before being presented in the budget along with reserves and use of reserves, capital budgets and cash flows. Budget processes are documented, consultation undertaken and reported through	No action.	Green

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
				to service committees, P&R and vote at Full Council. In 2021/22 major work commenced led by the Director of Resources to work with improving the financial resilience, controls and planning of the authority. This is being supported by CIFPA, additional financial resources and existing officers and directors		
J		29	Annual report setting out the proposed budget for the coming year is a key document. Compliance with (H) above. Plans should be owned by the leadership team and senior managers.	Director of Resources and Council comply with the requirements to set an annual budget. Where non-compliance occurred then the Director of Resources would issue a S114 notice. SLT, Members and Officers are Involved in challenge and development of budget proposals. The finance sub-group at member level and ICB at officer level are involved in the budgets. In addition Director of Resources and the Chief Executive meet to review performance on a six weekly basis. Revised templates and procedures to identify and mitigate risks. Regular reporting of financial matters to members and officers.	Improvements will continue with greater involvement of the leadership team and budget holders This is currently being developed, with a new reporting solution, to improve accountability, accessibility and transparency being implemented in 2022/23. This will continue to be developed through the implementation of an ERP system during 2023.	
K	The annual budget report includes a statement by the Director of Resources on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	29	Level of reserves are approved and reported by the Director of Resources and robustness of estimates. They are assessed as adequate and determined by the Authority	The Director of Resources as part of the budget setting reports on the level of reserves and the robustness and adequacy of estimates.	No Action.	Green
5. Stakeholder engagement and business cases						
L	The Authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	31	Stakeholder consultation reduces potential legal or political challenge. This encourages community involvement especially where an authority adopts an enabling approach to delivery.	Budgets go through a robust stakeholder engagement in an open consultation and feeds/informs the budget recommendations.	A detailed structured process will be established to monitor saving and pressures, identify saving for the MTFP, ensure robust business proposals and business cases are in place.	Amber

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
				<p>The budget went to public consultation 'Have your Say' in 2021, and included all the statutory requirements, including reserves, capital budget and treasury. P&R committee received the budget ahead of it being presented to Full Council in March 2021 and in 2022.</p> <p>CIPFA were engaged to support the work following the capitalisation directive. CIPFA were working to support the improvements and verify the financial resilience which in turn has created changes to decision making and monitoring, which includes engagement with members.</p> <p>Service Committees, budget holders and Directors are all involved in the budget and options and approve the budgets.</p>	<p>Continue with internal developments for clear focus on services demands and pressures including saving within the resources available.</p> <p>Consultation earlier so that responses are considered before budget P&R.</p> <p>Work is being undertaken to enhance the reporting for Committees to enhance transparency and to receive more regular updates. A reporting cycle timetable has been drawn up, and expectation on timing and style of reporting will be taken to service committees' post-election.</p>	
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	31	<p>Authority decisions must be informed by clear business cases based on application on appropriation options appraisal techniques.</p> <p>Accountants are expected to comply with the IFAC/PAIB project and investment Appraisal for Sustainable Value Creation (see Appendix B in FM Code).</p> <p>Director of Resources responsibility to ensure material decisions are supported by option appraisal for decision making.</p>	<p>Business cases are required for all capital projects and are approved by the Capital and Asset Management Group oversee programme.</p> <p>Investment and Change Board (ICB) approve projects. Committee approval also required when appropriate.</p> <p>Revenue saving are initially conceptual in the form of a business proposal and then full business case which is approved by directorates, SLT, P&R and Change Programme. Proportionality is used for the detail of business cases.</p>	<p>Value for Money needs to be key decision factor along with our Council values of protecting residents and the vulnerable.</p> <p>Service Reviews will be taken to appraise the current services provided and implement changes for the future & VfM considerations will be key.</p>	Amber

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
				<p>Established option appraisal process for large projects through OBC / FBC methodologies – but recognise need a better process for tracking / monitoring achievement of benefits A complete review of the process was undertaken.</p> <p>All reports have financial implications agreed by s151 officer</p>		
6. Monitoring Financial Performance						
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	33	<p>Timely financial and operational performance so that policy objectives are delivered.</p> <p>Indicators (warning signs) of failed saving or inability to delivery saving, increased costs should be monitored and reported on regularly. Trends should inform section 3 of this Code.</p>	<p>Quarterly performance monitoring is reported through Dashboards to budget holders, stakeholders and senior officers, through to the Chief Executive and Leader of the Council.</p> <p>Quarterly reporting of financials in conjunction with the above allows decisions to be made to mitigate issues and highlight financial resilience or performance issues. (Monthly financial reporting via Power BI has been introduced).</p> <p>Capital monitoring is reported quarterly to member committees. Capital and Asset Group regularly reviews the performance of the Capital Programme.</p> <p>ICB is engaged to consider strategic programme delivery, new initiatives and related financial commitments.</p> <p>Routine reporting of status associated with savings plans incorporated into financial reporting mechanisms.</p> <p>Six weekly section 151 Officer and Chief Executive meetings along</p>		Green

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
				with individual Senior Leadership Team (SLT) members. Frequent reporting to SLT on the in-year savings and next years budget progress.		
O	The Leadership Team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.	33	Authorities should closely monitor significant material elements of its balance sheet for departure from financial plans	Treasury activity is managed daily and reported frequently to Director of Resources and AD of Finance and Investment. Reports are taken throughout the year to P&R and Full Council for strategy approval. Reports to SLT quarterly. Cash flows are managed through treasury management on a daily basis and external treasury advice is commissioned through Arlingclose. Planned and unplanned use of reserves are reported in outturn reports and monitored throughout the year and reported to P&R.	Identify areas of risk and report regularly. An assessment is required as to which balance sheet items should be reported to SLT. Consider what major balance sheet items can be made visible in quarterly financial reporting i.e. debtors. Review the debtors procedures and monitoring to ensure debt is managed in an effective manner to avoid increased Expected Credit Losses that have a direct impact on General Reserves, alongside an internal audit review. Asset management strategy to be completed by 2022.	Red
O		33	Where a significant commercial portfolio exists adequate records should be maintained.	Regeneration programmes will in future years bring significant rental income into the Council	Accounting for the income is being concluded upon. The management of the housing rentals in future years is to be designed and implemented nearer the time the leases come to the Council.	
O		33	Director of Resources certifies or confirms per Regulation Statement of Accounts provide a true and fair view at the balance sheet date.	Complete review of the accounts is undertaken annual by the Director of Resources as part of the completion of the financial statements. The Technical Finance Manager will raise concerns during the year of issues with the Director of Resources and AD with recommendations.	No Action.	

Ref	Description	Pages of Code	Detail	Assessment	Actions	Overall RAG Status
7. External Financial Reporting						
P	The DIRECTOR OF RESOURCES has personal and statutory responsibility for ensuring that the Statement of Accounts produced by the LA complies with the CIPFA Code of Practice UK	35	Statutory responsibility of the Director of Resources for producing the Statement of Accounts, Maintaining financial records and Certification of the Accounts as True and Fair	Fully compliant. Externally audited.	No Action.	Green
Q	The presentation of the Outturn figures and variations to budget allows the leadership team to make strategic financial decisions	36	Key the leadership team understand how effectively resources have been used during the year and explanations for material variances from initial and revised budgets	<p>The final Outturn is presented to service committees, directors and budget holders to comment. The final Outturn is presented to P&R and the Full Council.</p> <p>Outturn report includes commentary on debt and also mid-year reporting of capital, investments reports to committees. Budget reporting during the year and annually, also includes reserves.</p> <p>Issues with the outturn are included within the MTFP as future years pressures/growth.</p> <p>The narrative report in the Statement of Accounts summaries the Outturn position for readers of the Accounts and commented on with any recommendations by the External Auditors in their VfM findings.</p>	<p>Improvement plan to be detailed.</p> <p>Review of the outturn report to ensure it covers:</p> <ul style="list-style-type: none"> • impact of variances on general balances and earmarked reserves • makes proposals for further contributions to/or from these general balances and earmarked reserves • sets out the impact of key variances on the MTFS/future years budgets and any mitigating action being taken • focus is on material issues, which require action or awareness from the leadership team and therefore are appropriately focused 	Amber

The following link or attached document for more information to facilitate the completion of this document.

[..\1. Statutory Accounts\CIPFA\CIPFA Publications\3. Financial Management Code\fmcode2019.pdf](#)



fmcode2019.pdf

<H:\Finance\AccyDivn\Divisional Administration\COMMITTEE REPORTS\2021-22\Revenue Budget Reports\ERD 2021-22 Budget Monitoring and 2022-23 Budget Process.doc>

The CIPFA financial management standards

Summary table of CIPFA financial management standards

FM standard reference	CIPFA financial management standards
	Section 1: The responsibilities of the chief finance officer and leadership team
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B	The authority complies with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government</i> .
	Section 2: Governance and financial management style
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
D	The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework</i> (2016).
E	The financial management style of the authority supports financial sustainability.
	Section 3: Long to medium-term financial management
F	The authority has carried out a credible and transparent financial resilience assessment.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
H	The authority complies with the CIPFA <i>Prudential Code for Capital Finance in Local Authorities</i> .
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.
	Section 4: The annual budget
J	The authority complies with its statutory obligations in respect of the budget setting process.
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
	Section 5: Stakeholder engagement and business plans
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
	Section 6: Monitoring financial performance
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.
	Section 7: External financial reporting
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i> .
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

Appendix B



This page is intentionally left blank

Appendix 4

- 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 (MiRS)
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 2021/22, a £28.123m deficit (2020/21 £41.594m deficit).
- 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 2021/22, the deficit, after taking into consideration all operating expenditure and the receipt of taxation and non-specific general grant income, totals £28.123m (2021/22 £41.594m). 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 2021/22, the Council's assets are valued at £890.486m, offset by liabilities of £845.742m, resulting in net assets of £44.744m. The net assets position is largely due to unusable reserves of (£117.218m) 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 improvement 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 2021/22, total cash and cash equivalents were £40.787m (2020/21 £21.270m).

- 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.
- 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 of council tax and non-domestic rates. For 2021/22, total Council Tax of £191.857m (2020/21 £181.637m) and Business Rates of £58.402m (2020/21 £34.593m) 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 surplus on the Council Tax account overall was £5.194m (2020/21 deficit £2.126m) and on Business Rates a deficit of £21.001m (2020/21 deficit of £40.647m). These amounts are then carried forward to offset against the 2022/23 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 several Business Rates reliefs for 2020/21, reducing the income recognised and therefore resulting in a significant deficit. Councils and precepting authorities had received additional Section 31 grants to compensate for the reliefs, and the regulations were amended to allow those deficits to be recovered over a 3-year period from 2021/22 – 2023/24 rather than the following year. An extension of those Business Rates reliefs was announced for 2021/22 but only after the income estimates had been made. The resulting deficit will therefore be recovered by 2023/24.

- 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.

This page is intentionally left blank

Appendix 5
Summary of the Statement of Accounts 2021/22

Comprehensive Income and Expenditure Statement

2020/21			2021/22			
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
1,987	-16	1,971	Chief Executive Officer	2,238	-108	2,130
34,285	-29,949	4,336	Covid-19	0	0	0
132,610	-102,773	29,837	Resources	154,383	-112,999	41,384
75,486	-12,444	63,042	Neighbourhood Services	90,123	-28,684	61,439
8,531	-1,029	7,502	Law & Governance	7,776	-1,789	5,987
37,054	-9,131	27,923	Regeneration & Place	38,042	-16,260	21,782
315,840	-230,736	85,104	Children, Families & Education	334,913	-242,138	92,775
180,331	-87,935	92,396	Adults Care and Health and Strategic Commissioning	195,990	-90,449	105,541
325	-3,643	-3,318	Corporate	0	0	0
786,449	-477,656	308,793	Cost of Services	823,465	-492,427	331,038
43,367	0	43,367	Other Operating Expenditure	48,217	0	48,217
34,363	-509	33,854	Financing and Investment Income and Expenditure	25,200	-1,970	23,230
0	-344,420	-344,420	Taxation and Non-Specific Grant Income	0	-374,362	-374,362
864,179	-822,585	41,954	Surplus or Deficit on Provision of Services	896,882	-868,759	28,123
		-22,831	Surplus or deficit on revaluation of PPE			-21,764
		0	Surplus or deficit on investments in equity instruments designated at Fair Value through Other Comprehensive Income			47
		4	Surplus or deficit on revaluation of available for sale financial assets and financial instruments at Fair Value through Other Comprehensive Income			45
		34,910	Remeasurement of the net defined benefit liability / asset			-107,282
		12,083	Other Comprehensive Income and Expenditure			-128,954
		53,677	Total Comprehensive Income and Expenditure			-100,831

Balance Sheet

31 March 2021 £000	Notes		31 March 2021 £000
671,002	14	Property, Plant and Equipment	681,845
18,411	15	Heritage Assets	18,883
19,033	16	Investment Property	18,946
19	17	Intangible Assets	0
9,963	18	Long-Term Investments	11,317
22,327	18&19	Long-Term Debtors	18,973
740,755		Long Term Assets	749,964
6,974	18	Short-Term Investments	8,306
226		Inventories	410
89,240	19	Short-Term Debtors	84,824
29,856	21	Cash and Cash Equivalents	46,982
126,296		Current Assets	140,522
-8,586	21	Cash and Cash Equivalents	-6,195
-101,198	18 & 29	Short-Term Borrowing	-71,919
-81,443	22	Short-Term Creditors	-113,820
-12,084	23	Provisions	-12,680
-203,311		Current Liabilities	-204,614
-3,444	23	Provisions	-3,876
-149,434	18 & 29	Long-Term Borrowing	-145,268
-34,877	18, 22 & 29	Other Long-Term Liabilities	-31,675
-531,815	42	Pension Liability	-460,054
-257	36	Grants Receipts in Advance - Capital	-255
-719,827		Long Term Liabilities	-641,128
-56,087		Net Assets	44,744
-150,927	24	Usable Reserves	-161,962
207,014	25	Unusable Reserves	117,218
56,087		Total Reserves	-44,744

Amendments to the Draft Accounts

Amendments to the financial statements (draft to final) have been made since publication and are detailed in Appendix X for Wirral Council Accounts and will be reflected in the final accounts to be brought back to this Committee in January 2023. The Committee is asked to note these changes.

Description	Amount £m	Financial impact on Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet
Note 8 and 21 - Earmarked reserves and associated notes to correct two earmarked reserves which should be reported as creditors. <ol style="list-style-type: none"> 1. CHAMPS 2. Community Safety 	£6.273m £0.605k	No change to Outturn or CIES. Changes to Creditors and Usable reserves in Balance sheet (and relevant notes), as well as Cashflow Statement, MiRS, grants and CIES primary notes that will be impacted.
CIES and associated notes to reflect late evidence of capital grant and expenditure in Schools.	£1.174m	No change to Outturn. Property, Plant & Equipment, Unusable reserves, cashflow, MIRS and CIES primary notes that will be impacted.
Note 35 Dedicated Schools Grant (DSG) table updated for compliance to the Code of Practice	n/a	n/a
Note 33 Officer Remuneration narrative to include narrative for Chief Executive electoral pay	n/a	n/a
Internal recharges understated for public health and DSG for 20/21.	£6.3m	No change to Outturn or CIES.
Note 30 Agency disclosure amended to reflect correct Covid value	£160k	n/a

This page is intentionally left blank



AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 26 October 2022

REPORT TITLE:	REVISED CODE OF CORPORATE GOVERNANCE 2022
REPORT OF:	HEAD OF LEGAL SERVICES

REPORT SUMMARY

The report seeks the Committee's approval of the Council's revised Code of Corporate Governance.

The Council's current Code of Corporate Governance was last reviewed in 2018.

This is not a Key Decision.

RECOMMENDATION/S

The Audit and Risk Management Committee is requested to:

1. Approve the revised Code of Corporate Governance at Appendix 1 to the report; and
2. Recommend to the Constitution and Standards Committee adoption by full Council of the revised Code of Corporate Governance and the framework detailed therein as part of the Council's Constitution.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To ensure that the Council's Code of Corporate Governance is compliant with the Chartered Institute of Public Finance and Accountancy (CIPFA) / the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Guidance / Framework for Delivering Good Governance in Local Government and follows best practice.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 There was the option to not review the Code of Corporate Governance however this was not a suitable option as the last review was in 2018 and for good governance it should be regularly reviewed.

3.0 BACKGROUND INFORMATION

- 3.1 Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.
- 3.2 The Council's current Code of Corporate Governance was last revised in 2018.
- 3.3 The CIPFA / SOLACE framework applies to annual governance statements prepared for the financial year 2016/17 onwards.
- 3.4 The concept underpinning the framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way.
- 3.5 By applying the principles in the Code, the Council commits itself to discharging its functions and delivering its services to Wirral residents in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.
- 3.6 There are four main changes to the Code;
- a) The Forward to the Code has been brought from the end of the introductory text to the beginning to better introduce the Code.
 - b) The role of Policy and Resources Committee has been explained following the change in governance arrangements as well as now fully explaining the role the Monitoring Officer has in regard to the Code.
 - c) The new Code of Corporate Governance is a streamlined / more accessible framework, which communicates that the Council's decision making process is based upon sound / clear principles.
 - d) The evidence base for compliance with the Code has been updated to reflect the Council's current operating model and procedures.
- 3.7 As with the previous Code, the Council is required to demonstrate through evidence how it meets all aspects of the Code. The revised Code detailed at Appendix 1 sets

out the revised Code along with the evidence relied upon to demonstrate compliance.

4.0 FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from this report

5.0 LEGAL IMPLICATIONS

5.1 The Council is required to ensure it has strong corporate governance arrangements in place so as to be able to effectively meet and discharge its obligations, responsibilities and duties. Inadequate governance arrangements could lead to significant governance issues arising leaving the Council open to challenge.

5.2 Reviewing and amending the Code in accordance with the Framework will ensure that the Council's governance arrangements are both fit for purpose and take into account the best practice guidance. An annual governance statement will need to be prepared in accordance with the Framework in order to meet the statutory requirement set out in the Accounts and Audit Regulations 2015.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no direct implications arising from this report.

7.0 RELEVANT RISKS

7.1 The Council is open to challenge should it not have effective corporate governance arrangements in place.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Code of Corporate Governance review has been undertaken in consultation with senior officers and Internal Audit.

9.0 EQUALITY IMPLICATIONS

9.1 There are no such direct implications arising from this report

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are no such direct implications arising from this report

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are no such direct implications arising from this report

REPORT AUTHOR: Vicki Shaw

Head of Legal Service

telephone:

email: vickishaw@wirral.gov.uk

APPENDICES

Appendix 1 Revised Code of Corporate Governance

BACKGROUND PAPERS

CIPFA / SOLACE Guidance / Framework for Delivering Good Governance in Local Government (2016)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

WIRRAL BOROUGH COUNCIL

DRAFT CODE OF CORPORATE GOVERNANCE

FORWARD

Wirral Council is required to operate within a governance framework, which is focussed around legislative requirements, principles of good governance, and management processes.

It is of paramount importance therefore, that the Council clearly demonstrates to its constituents what governance arrangements are in place and how they impact upon the manner in which the Council operates.

The Code of Corporate Governance is an accessible framework, which communicates that the Council's decision making process is based upon sound / clear principles.

WHAT IS CORPORATE GOVERNANCE

Governance comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the Council's intended outcomes for constituents and stakeholders are defined and achieved. To deliver good governance Councillors and Officers alike must aim to achieve the Council's objectives while acting in the public interest at all times.

The Council is committed to applying the seven core principles as set out in the Society of Local Authority Chief Executives (SOLACE)/Chartered Institute of Public Finance and Accountancy (CIPFA) Good Governance Framework which comprises the following key elements:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law:**
- B. Ensuring openness and comprehensive stakeholder engagement:**
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits:**
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes:**
- E. Developing the Council's capacity, including the capability of its leadership and the individuals within it:**
- F. Managing risks and performance through robust internal control and strong public financial management:**
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability:**

MONITORING, REVIEW AND REPORTING

Elected Members are collectively responsible for the governance of the Council. The Council by adopting this local code commits itself to continuously improving corporate governance in all of its activities. To ensure it keeps to this on-going commitment the Council has Committees that are responsible for monitoring and reviewing the Council's Corporate Governance arrangements. These Committees and their functions are set out below. [In addition, the Council has an Independent Remuneration Panel to advise and make recommendations to the Council on the scheme of allowances.]

Policy and Resources Committee:

The Policy and Resources Committee has two main areas of responsibility, which is to provide strategic direction to the

operation of the Council, including making decisions on policies and co-ordinating spend not reserved to full Council, and to maintain a strategic overview of outcomes, performance, risk management and budgets. All Policy Committee Chairs will be represented on Finance and Policy Committee.

Audit and Risk Management Committee:

The Audit and Risk Management Committee is a key component of Wirral Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The Committee provides independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Chief Finance (Section 151) Officer:

The Chief Finance Officer has responsibility for delivering and overseeing the financial management arrangements of the Council and is the responsible finance officer under all relevant legislation. The role conforms with the governance arrangements detailed in the CIPFA Statement 'The role of the Chief Financial Officer in Local Government' 2016.

The Chief Finance Officer will ensure the financial prudence of decision making.

The CFO chairs the Corporate Governance Group, which oversees the production of the Council's Annual Governance Statement.

Monitoring Officer:

The Monitoring Officer is responsible for promoting and maintaining high standards of conduct in all matters affecting the Council ensuring decisions are made in accordance with the policy framework and, together with the Section 151 Officer, in accordance with the Budget Plan. The Monitoring Officer is also required to report to Council any actual or potential breaches of the law or maladministration.

The Monitoring Officer is responsible for the review and monitoring of the Council's Constitution, and able to make recommendations for changes, where reviewing the Constitution to Full Council.

Corporate Governance Group

The Corporate Governance Group is made up of key members of the Senior Leadership Team and senior officers with particular responsibility for oversight of governance and risk management. They oversee 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.

THE ANNUAL GOVERNANCE STATEMENT

The Council has a responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control in the form of an Annual Governance Statement. This will provide an overall assessment of the Council's Corporate Governance arrangements and an appraisal of the key controls in place to manage the Council's principal governance risks. The Statement will also provide details of where improvements need to be made.

The Annual Governance Statement will be published as part of the Council's Annual Statement of Accounts and will be

audited by our External Auditors

REGULAR REVIEW OF POLICIES AND PROCEDURES

The Council recognises that Corporate Governance needs to be embedded in all the services it delivers. Therefore, it has identified all those strategies, policies and procedures which staff and Members need to be aware of and comply with to meet the required standards of corporate governance.

A copy of this Code of Corporate Governance will be made available to the public on the Council's website [LINK?]. A copy of the Annual Governance Statement will also be made available [LINK].

Wirral Council Code of Corporate Governance

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.		
Sub-principle	Wirral Council is committed to achieving good governance and will	The Council's commitment to achieving good governance in practice is demonstrated by the following:
Behaving with integrity	<ul style="list-style-type: none"> • Ensure members and officers behave with integrity and promote a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation • Ensure members take the lead in establishing specific standard operating principles or values for the organisation and its staff (building on the Seven Principles of Public Life - The Nolan Principles) and that they are communicated and understood • Lead by example and use the above standard operating principles or values as a framework for decision making and other actions • Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively. 	<ul style="list-style-type: none"> • Member's Code of Conduct / Protocol • Employee's Code of Conduct • Performance appraisal process • Policy and procedure for declaration of Conflict of Interest by Officers and Members • Policy and procedure for declaration of Gifts and Hospitality • Customer Access Strategy • ICT Security Policy • Elected Members – Information & ICT Security Acceptable Use Policy • Equalities Impact Assessment Toolkit • The Council's Constitution • Public access to meetings and minutes • Role of Standards and Constitutional Oversight Committee • Government guidelines for politically restricted posts. • Financial Regulations • Contract Procedure Rules • Freedom of Information, Environmental Information Regulations, Subject Access Requests • Dignity at work policy • Values and Behaviours statement • Whistleblowing policy / procedure • Anti-bribery policy • Anti-money laundering policy • Anti-fraud and corruption policy • Counter fraud and corruption strategy • Fraud response plan • Complaints policy • Grievance policy • Media Guidelines • Recommended code of practice for local authority publicity
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> • Seek to establish, monitor and maintain the organisation's ethical standards and performance • Underpin personal behaviour with ethical values and ensure they permeate all aspects of the organisation's culture and operation • Develop and maintain robust policies and procedures which place emphasis on agreed ethical values • Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation 	<ul style="list-style-type: none"> • The Wirral Plan • Members Code of Conduct / Protocol • Officer's Code of Conduct • Standards and Constitutional Oversight Committee • Constitution • Scheme of Delegation • Wirral Partnership Framework • Dignity at work policy • Member training framework • Appraisal policy • Statement of business ethics communicates commitment to ethical values to external suppliers • Ethical values feature in contracts with external service providers
Respecting the rule of Law	<ul style="list-style-type: none"> • Ensure members and staff demonstrate a strong 	<ul style="list-style-type: none"> • Constitution

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.		
	<p>commitment to the rule of the law as well as adhering to relevant laws and regulations</p> <ul style="list-style-type: none"> • Create the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements • Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders • Deal with breaches of legal and regulatory provisions effectively • Ensure corruption and misuse of power are dealt with effectively. 	<ul style="list-style-type: none"> • Legal advice • Recruitment / selection / job evaluation procedures • Appraisal processes • WeLearn training system • Monitoring officer provisions, review of reports by Legal and record of legal advice provided by officers • Review of reports by Finance and Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government • Member's code of conduct and protocol • Officer's code of conduct • Anti-fraud policies. • Role of Standards and Constitutional Oversight Committee • Processes for Gifts and Hospitality and Conflicts of Interest

Principle B: Ensuring openness and comprehensive stakeholder engagement.		
Sub-principle	Wirral Council is committed to achieving good governance and will:	The Council's commitment to achieving good governance in practice is demonstrated by the following:
Openness	<ul style="list-style-type: none"> • Ensure an open culture through demonstrating, documenting and communicating the organisation's commitment to openness • Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided • Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders, being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear • Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action 	<ul style="list-style-type: none"> • Engagement & Stakeholder Relations Strategy • Wirral plan • Wirral Partnership Delivery Group and Partnership Framework • Wirral plan quarterly performance and update report • Minutes and reports of Council committees available on website • Records of decision making and supporting materials • Standard format for Committee reports • Options appraisal reports • Business case reports • Agreed programmes for scrutiny committees • Corporate Equality and Cohesion Strategy • Public Budget consultation • Statement of Accounts • FOI Act compliance publication • Environmental Impact Assessments as part of committee reports • Whistle Blowing policy / procedure • Annual Governance Statement • Arrangements to ensure compliance with Transparency Code • Neighbourhood working
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> • Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably • Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively • Ensure that partnerships are based on trust, a 	<ul style="list-style-type: none"> • Engagement & Stakeholder Relations Strategy • Wirral plan • Wirral Partnership Delivery Group, Partnership Summit and Partnership Framework • Wirral plan quarterly performance and update report

Principle B: Ensuring openness and comprehensive stakeholder engagement.		
	shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit	
Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> • Establish a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes • Ensure that communication methods are effective and that members and officers are clear about their roles with regard to community engagement • Encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs • Implement effective feedback mechanisms in order to demonstrate how views have been taken into account • Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • Take account of the impact of decisions on future generations of tax payers and service users. 	<ul style="list-style-type: none"> • Health and Wellbeing Board • Wirral plan • Wirral Partnership Delivery Group, Partnership Summit and Partnership Framework • Updates reports on Scrutiny work programmes • Engagement & Stakeholder Relations Strategy • Residents' surveys • Equality impact assessments • Constitution • Committee reporting template • Joint Strategic Needs Assessment • Have Your Say website

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits.		
Sub-principle	Wirral Council is committed to achieving good governance and will	The Council's commitment to achieving good governance in practice is demonstrated by the following:
Defining outcomes	<ul style="list-style-type: none"> • Have a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions • Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer • Deliver defined outcomes on a sustainable basis within the resources that will be available • Identify and manage risks to the achievement of outcomes 	<ul style="list-style-type: none"> • Engagement & Stakeholder Relations Strategy • Wirral plan • Wirral Partnership Delivery Group and Partnership Framework • Performance Management framework • Corporate risk management policy and strategy • Programme management strategy/processes

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits.		
	<ul style="list-style-type: none"> • Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available. 	
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision • Take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints • Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs • Ensure fair access to services. 	<ul style="list-style-type: none"> • Revenue Monitor report • Capital Monitor report • Annual Governance Statement • Public Health prioritisation process • Wirral plan • Council Reports to support major decisions outline key implications (economic, social, environmental) as applicable • Communication and engagement strategy • Record of public consultations • Reports and minutes available on the website • Social Value Policy
Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.		
Sub-principle	Wirral Council is committed to achieving good governance and will	The Council's commitment to achieving good governance in practice is demonstrated by the following:
Determining interventions	<ul style="list-style-type: none"> • Determining the right mix of corporate (legal, assurance, regulatory, and finance) interventions to ensure intended outcomes are achieved Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised • Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts. 	<ul style="list-style-type: none"> • Options appraisals • Council Reports, and underlying Business Case where appropriate, required to outline options considered and inherent risks • Committee Co-ordination and Oversight Group • Medium Term Financial Strategy • Engagement & Stakeholder Relations Strategy
Planning interventions	<ul style="list-style-type: none"> • Establish and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets • Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered • Consider and monitor risks facing each partner when working collaboratively, including shared risks • Ensure arrangements are flexible and agile so that the mechanisms for delivering goods and 	<ul style="list-style-type: none"> • Wirral Plan • Forward Plan • Directorate / Service Business Plans • Engagement & Stakeholder Relations Strategy • Corporate risk management policy and strategy • Corporate Risk Register • Power BI Report • Performance appraisals • Performance management framework • Medium Term Financial Strategy • Budget and Policy Framework (Constitution)

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.		
	<p>services can be adapted to changing circumstances</p> <ul style="list-style-type: none"> • Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured • Ensure capacity exists to generate the information required to review service quality regularly • Prepare budgets in accordance with objectives, strategies and the medium term financial plan • Inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. 	<ul style="list-style-type: none"> • Financial Regulations (Constitution).
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> • Ensure the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints • Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term • Ensure the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage • Ensure the achievement of 'social value' through service planning and commissioning. 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Wirral Plan • Budget and Policy Framework (Constitution) • Financial Regulations (Constitution) • Council Budget and Medium Term Financial Strategy reports • Power BI Report

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.		
Sub-principle	Wirral Council is committed to achieving good governance and will	The Council's commitment to achieving good governance in practice is demonstrated by the following:
Developing the entity's capacity	<ul style="list-style-type: none"> • Review operations, performance and use of assets on a regular basis to ensure their continuing effectiveness • Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently • Recognise the benefits of partnerships and collaborative working where added value can be achieved • Develop and maintain an effective workforce plan to enhance the strategic allocation of 	<ul style="list-style-type: none"> • Wirral Plan quarterly performance and update report • Wirral Plan Performance Management Framework • Wirral Plan • Wirral Partnership Framework • People Strategy / Organisational development plan

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.		
	resources.	
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> • Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained • Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body • Ensure the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority • Develop the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged • Ensure members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensure that they are able to update their knowledge on a continuing basis • Ensure personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external • Ensure that there are structures in place to encourage public participation • Take steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspection. • Hold staff to account through regular performance reviews which take account of training or development needs • Ensure arrangements are in place to maintain the health and wellbeing of the workforce and 	<ul style="list-style-type: none"> • Elected Member Training & Development Programme • Wirral plan and Strategic Partnership frameworks • Standards and Constitutional Oversight Committee • Constitution - including Financial Regulations, Schemes of Delegation, Protocol on Members and Officers relations • Induction programme • Performance appraisal procedure and linked development plans • Senior Manager meetings • Corporate Governance Group • Engagement & Stakeholder Relations Strategy • Webcasting • Residents survey • External audit reports • • Employee assistance programme • Work Life Balance policy • Occupational Health policy / procedure • Attendance management policy / procedure • Employee benefits programme • Health and Well-Being Strategy • People strategy

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.		
	support individuals in maintaining their own physical and mental wellbeing.	
Principle F: Managing risk and performance through robust internal control and strong public financial management		
Sub-principle	Wirral Council is committed to achieving good governance and will	The Council's commitment to achieving good governance in practice is demonstrated by the following:
Managing Risk	<ul style="list-style-type: none"> • Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making • Implement robust and integrated risk management arrangements and ensure that they are working effectively • Ensure that responsibilities for managing individual risks are clearly allocated. 	<ul style="list-style-type: none"> • Modgov system • Standard committee report template inc risk management section and guidance • Members' code of conduct Officers' code of conduct • Conflict of interest annual declaration. • Audit & Risk Management Committee Terms of Reference. • Corporate risk management policy and strategy/framework • Risk management guidance on Wirral Intranet • Corporate and Directorate Risk Registers • Power BI reporting – Directorate Insights pack • Programme management - risk management arrangements, business cases and reporting • Health & Safety Policy
Managing performance	<ul style="list-style-type: none"> • Monitor service delivery effectively including planning, specification, execution and independent post implementation review • Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • Ensure an effective scrutiny or oversight function is in place which provides effective and constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible • Provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement • Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). 	<ul style="list-style-type: none"> • Complaints Procedure. • Committees and reports • Public access to meetings and minutes • Publication of agenda and minutes of scrutiny meetings (including calendar of dates for submitting, publishing and distributing reports) • Committee reports and Member briefings • ARMC Annual Self-Assessment against "A toolkit for Local Authority Audit Committees" • Monthly Capital and Revenue Monitoring • Performance Management Framework • Constitution • Corporate Risk Management Policy • Corporate, Directorate and Programme / Project Risk Registers • Whistle-blowing Policy & Procedure • Medium Term Financial Strategy • Budget and Policy Framework (Constitution) • Financial Regulations (Constitution) • Power BI reporting – Directorate Insights pack • Organisational Performance Group (OPG) – monthly meetings
Robust internal control	<ul style="list-style-type: none"> • Align the risk management strategy and policies on internal control with achieving objectives • Evaluate and monitor risk management and internal control on a regular basis 	<ul style="list-style-type: none"> • Annual governance statement • Corporate risk management policy • Annual internal audit review of the risk management framework • Internal Audit Reports

Principle F: Managing risk and performance through robust internal control and strong public financial management		
	<ul style="list-style-type: none"> • Ensure effective counter fraud and anti-corruption arrangements are in place • Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor • Ensure an audit committee which is independent of the executive and accountable to the governing body provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment and that its recommendations are listened to and acted upon. 	<ul style="list-style-type: none"> • Internal Audit Plan • Internal Audit Progress Reports to Audit and Risk Management Committee • Chief internal auditor's annual report / annual audit opinion • Anti-Fraud and Anti-Corruption policy • Fraud awareness campaigns and proactive work • Annual programme of proactive and reactive internal audit work in respect of counter fraud & corruption • Audit and Risk Management Committee's annual self-assessment against the "Internal Audit Toolkit for Local Authority Audit Committees" • Training for ARMC Members.
Managing data	<ul style="list-style-type: none"> • Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data • Ensure effective arrangements are in place and operating effectively when sharing data with other bodies • Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring. 	<ul style="list-style-type: none"> • Information Governance policies • General Data Protection Regulations training • Performance Management Framework guidance • SIRO report – annual • Information Asset Owners and Administrators • Record of Processing Activity (RoPA) • Cyber Security training – annual requirement
Strong public financial management	<ul style="list-style-type: none"> • Ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance • Ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Budget and Policy Framework Procedure Rules (Constitution) • Financial Regulations (Constitution) • Risk assessment within the medium term financial strategy.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability		
Sub-principle	Wirral Council is committed to achieving good governance and will	The Council's commitment to achieving good governance in practice is demonstrated by the following:
Implementing good practice in transparency	<ul style="list-style-type: none"> • Write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate • Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to 	<ul style="list-style-type: none"> • Conflict of interest annual declaration. • Complaints Procedure. • Overview & Scrutiny Committees • Public access to meetings and minutes • Webcasting of Council meetings

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability		
	understand.	
Implementing good practices in reporting	<ul style="list-style-type: none"> • Report at least annually on performance, value for money and the stewardship of resources to stakeholders in a timely and understandable way • Ensure members and senior management own the results reported • Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publish the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) • Ensure that this Framework is applied to jointly managed or shared service organisations as appropriate • Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations. 	<ul style="list-style-type: none"> • Wirral Plan • Statement of Accounts • Annual Governance Statement and review process including review of Code of Corporate Governance. • Modgov system • Committee Report template.
Assurance and effective accountability	<ul style="list-style-type: none"> • Ensure that recommendations for corrective action made by external audit are acted upon • Ensure an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon • Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations • Gain assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement • Ensure that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met. 	<ul style="list-style-type: none"> • Internal Audit Annual Plan • Internal Audit Reports • Internal Audit Annual Report • Chief Internal Auditor's (CIA's) Progress update reports to ARMC • • Compliance with Public Sector Internal Audit Standards • External audit reports to ARMC • Annual Governance Statement • Communications & engagement strategy • Wirral Plan • The Wirral Partnership Delivery Group and partnership framework



AUDIT AND RISK MANAGEMENT COMMITTEE

26 OCTOBER 2022

REPORT TITLE:	ICT CONTINUITY CONTROLS
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

This report has been prepared in response to a request by the Chair of the Audit and Risk Management to provide an update on the resiliency of Wirral Council's IT infrastructure.

RECOMMENDATION

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

SUPPORTING INFORMATION

1 REASON FOR RECOMMENDATION

- 1.1 To provide Members of the Audit & Risk Management Committee with an opportunity to review the resiliency of the Council's IT Infrastructure and the continuity plans in place.

2 OTHER OPTIONS CONSIDERED

- 2.1 The report is provided for information purposes in response to a direct request by the Chair of the Audit & Risk Management Committee, and as such no other options have been considered.

3 BACKGROUND INFORMATION

- 3.1 IT resilience means being prepared for any type of planned or unplanned disruption or disaster, and the ability to mitigate the risk of downtime allowing the organisation to continue working. IT resilience is an essential part of business resilience.
- 3.2 Planned disruption can include maintenance and upgrades of systems or hardware, move to cloud technology, datacentre changes, integrations. Unplanned disruption can include infrastructure or hardware failures, natural disasters, security breaches, ransomware, or user error.
- 3.3 As services are transformed, there is increasing dependence on digital technologies to deliver these. This leads to an increased risk of being disrupted by cyber-attacks and security breaches.
- 3.4 Business Continuity is used to proactively implement policies, processes, and activities that ensure the smooth running of critical systems during and after a disruption. This includes the identification of risk and management of this, creation of business continuity plans, and validation and testing of processes and procedures.
- 3.5 Disaster Recovery is the act of putting systems, data, and networks back to a previous state after a disruption or disaster has occurred. The disaster recovery plan focuses on the infrastructure and sets out the operational IT recovery processes following disruption, this includes the provision of alternative sites, data backup and offsite replication, and robust servers, storage, and networking.
- 3.6 There are 4 stages to Business Continuity and Disaster Recovery:
- Stage 1: Prevention
 - Mitigation of the risk
 - Stage 2: Preparedness
 - Planning for the disruption
 - Stage 3: Response
 - Developing plans detailing actions for responding to a disruption.

- Stage 4: Recovery
 - Developing plans detailing the recovery process following a disruption.

3.7 Where applications are delivered via Software as a Service (SaaS) the management of the application and underlying infrastructure is delivered by the supplier. The IT role moves to monitoring and audit and ensuring that contracts include appropriate terms and deliverables around security, backup, and recovery options.

Prevention

3.8 The Prevention stage is about mitigating the risk of unplanned disruptions.

3.9 The risk is mitigated by ensuring suitable measures are in place are the different layers of the IT environment:

- Client devices: Computers, mobile phones, tablets
- Network: Firewalls, routers, switches
- Storage
- Servers: Windows, Unix, Linux
- Applications

3.10 McAfee endpoint security solution is installed on computers and servers to protect against viruses and cyber-attacks.

3.11 Security update processes are in place to ensure client devices, storage, servers, and network devices are kept up to date.

3.12 A third party provides 24*7 monitoring of the Council's Firewalls. The Firewall is the equivalent of the front door into the IT infrastructure.

3.13 Cyber security training to provided to all Council staff to help prevent unplanned disruptions.

3.14 Key IT staff have undertaken Certified Information Systems Security Professional (CISSP) training. This training is focussed on developing IT security skills and knowledge.

3.15 Regular engagements take place with the National Cyber Security Centre (NCSC) to help monitor and secure networks and websites.

Preparedness

- 3.16 The Preparedness stage is about having processes in place to mitigate the impact of any disruption to services.
- 3.17 The Council has two datacentres, one located in the Treasury Building in Hamilton Square, and one located in Mersey Travels datacentre in Georges Dock in Liverpool.
- 3.18 The datacentres are setup as a Primary and Secondary datacentre, with the Primary datacentre being in Liverpool.
- 3.19 Replication technology is used to replicate data between the two datacentres. This ensures that a second copy of data is available should the primary datacentre not be available.
- 3.20 An automated system is in place that would automatically bring up business critical applications in the secondary datacentre should the primary datacentre not be available.
- 3.21 A manual process is in place to bring all other applications online in the secondary datacentre should the primary datacentre not be available.
- 3.22 All applications have been classified as to their criticality and impact should they not be available. The classification covers prioritisation levels 1 – 5 from applications that have life and death implications, to critical systems such as our financial systems, to business-critical systems such as those that would have customer facing impact, to non-critical or lower priority applications.
- 3.23 Any applications classified as level 1 or 2 are covered by the automated system for bringing online in the secondary datacentre.
- 3.24 A backup solution is in place to backup data to a third location, using a virtual vault off the Council network. The 'vault' protects data from cyber-attacks using an immutable file system that cannot be modified, deleted, or encrypted by hackers.
- 3.25 The backup solution provides an air gap away from the Council network meaning that if required, data could be restored to a third location if both the primary and secondary datacentres were not available.

Response and Recovery

- 3.26 Business Continuity and Disaster Recovery Plans are currently being refreshed to reflect the increasing adoption of Software as a Service (SaaS) for business applications.
- 3.27 As part of the refresh of the Business Continuity and Disaster Recovery Plans, the Recovery Time Objectives (RTO) and the Recovery Point Objectives (RPO) will be reviewed for each application.
- 3.28 RTO is the amount of time after an outage that an application needs to be recovered. RPO is the amount of data that can be lost for an application following an outage.
- 3.29 Following the refresh of the Business Continuity and Disaster Recovery Plans, a scenario will be chosen to test the response to a Cyber Security attack.

4 FINANCIAL IMPLICATIONS

- 4.1 There are no financial implications arising as a direct result of this report.

5 LEGAL IMPLICATIONS

- 5.1 There are no financial implications arising as a direct result of this report.

6 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are no resource implications arising as a direct result of this report.

7 RELEVANT RISKS

- 7.1 All risks associated with the IT resilience are captured within either the Information, Digital Programme or ICT risk register.

8 ENGAGEMENT/CONSULTATION

- 8.1 There is no member engagement as a direct result of this report.

9 EQUALITY IMPLICATIONS

- 9.1 There are no equality implications arising as a direct result of this report.

10 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 There are no environment or climate implications as a direct result of this report.

11 COMMUNITY WEALTH IMPLICATIONS

11.1 There are no community wealth implications as a direct result of this report.

REPORT AUTHOR: PETER MOULTON
0151 666 3868
petermoulton@wirral.gov.uk

APPENDICES

None

BACKGROUND PAPERS

ICT Business Continuity Plans

Information Governance Risk Register

ICT Departmental Risk Register

Digital Programme Risk Register

SUBJECT HISTORY (last 3 years)

Council Meeting	Date



AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 26 October 2022

REPORT TITLE:	ASSURANCE ON REGENERATION SCHEMES
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

This report updates members on the financial guarantees which the Council has entered into on a number of regeneration projects. The Council's external auditors, Grant Thornton have recommended that the guarantees are closely monitored and reported to Members.

This report supports the Wirral plan aim of a thriving and inclusive economy, creating jobs and opportunities for all.

This matter affects all wards in the Borough.

RECOMMENDATION

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

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To provide the Members with assurance that the Council is taking appropriate measures to ensure that the Council's resources are being protected and that project risks are being effectively reviewed and managed.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 There is the option not to provide an update on assurance matters. This would however not be in accordance with the advice from the Council's external auditors.

3.0 BACKGROUND INFORMATION

- 3.1 The Council is engaged in a number of regeneration initiatives which make use of its covenant strength underpinned by financial guarantees. In its role of external auditor Grant Thornton made a number of comments and recommendations in its Annual Report on Wirral Council 2020-21 that was presented to Audit and Risk Management Committee in July 2022.
- 3.2 Grant Thornton noted that the guarantees were significant in scale and the Council would need to significantly strengthen monitoring arrangements in respect of financial guarantees and asset acquisitions. It was recommended that detailed accounting advice be received before entering into any future complex financial arrangements. In its response, the Council confirmed that no further guarantees had been issued beyond those covered in the report and presently there was no intention for further guarantees to be issued. Detailed accounting advice will be obtained in advance were there to be future transactions of this nature.
- 3.3 As context to the financial guarantees, the Birkenhead 2040 Framework sets out the Council's regeneration programme which delivers against the outcomes as set out in the Wirral Plan 2021-26. The Framework is a key supporting document for the draft Local Plan approved by Council on the 21st March 2022 and which will be submitted to Government by November 2022. A key policy within the draft Local Plan is for development to come forward on brown field sites and this is reflected in the comprehensive regeneration programme that is being progressed.
- 3.4 There are a number of approaches that the Council adopts in order to enable growth and development on brown field sites. This includes securing external grant funding from Central Government, Homes England, the Liverpool City Region Combined Authority and other funders to drive development. Currently the regeneration programme is supported by funding that includes the Future High Streets Fund, the Town Deal Fund, the Levelling Up Fund, the Brownfield Land Fund and other funding streams. Private sector funding is also a key part of the programme and private sector match funding is a requirement for the majority of grant programmes.
- 3.5 The Council has provided financial guarantees to attract investment and to enable three key developments to progress. These are Millers Quay at Wirral Waters, the offices in the Birkenhead Commercial District and the Hythe office development

where financial guarantees are in place in respect to the leases or acquisition of premises. Details of the guarantees follow below. Appendix 1 provides additional information and is exempt from publication pursuant to paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (being information relating to the financial or business affairs of any particular person, including the authority holding that information).

Birkenhead Commercial District

- 3.6 The Birkenhead Commercial District (BCD) office development has been taken forward by the Wirral Growth Company (WGC) which is a 50/50 Joint Venture between Wirral Council and Muse Developments on land owned by the Council within the town centre. As part of the WGC process a Site Development Plan (SDP) for Phase 1 of the BCD was brought forward and agreed by the Economy, Regeneration and Development Committee on the 26th July 2021. This set out the details of the two office buildings that would be developed on that site by the WGC. Both offices would be leased by the Council – one for occupation by Council staff and the other for leasing to other organisations on commercial terms.
- 3.7 Construction work commenced in December 2021 on an open book arm's length basis underwritten by a guaranteed maximum price. This was tested by external quantity surveyors against industry benchmark. The buildings are scheduled for practical completion to Category A (shell and core) in September 2023.
- 3.8 In respect of the Terms of Agreement for Lease between the Council and Canada Life, the Council retain the freehold of the buildings and have granted 250 year long leasehold interests to Canada Life. The Council has entered into an Agreement for Lease with Canada Life for a term of 43 years covering the construction and rental period for both buildings plus contingency for delay. Rent will be payable from practical completion for 35 years. After 35 years the rent reduces to a peppercorn with a 'put and call' option for the Council to purchase the asset for £1 and Canada Life have the right to return the asset to the Council for £1.
- 3.9 There are both downside and upside risks to the Council relating to this guarantee which are being managed. The downside risk is that the Council could be required to fund any shortfall in headlease costs not covered by savings from exiting buildings or insufficient letting income. The upside risk is that all income received above the headlease cost would belong to the Council whilst there should also be additional national non-domestic rates income receivable from tenants.

Millers Quay, Wirral Waters

- 3.10 This is a residential development at Millers Quay in Wirral Waters that is being taken forward by Peel Holdings as landowner and developer. The project will bring forward 500 one and two bed apartments and represents a step change to the residential offer in the East Wirral Housing Market. The project is catalytic in that it forms part of a new, sustainable 'neighbourhood' for Wirral offering new typologies of housing, unlocking further residential and commercial development in Wirral Waters and creating a brand new community within the dockland area.
- 3.11 On 1st October 2018, Cabinet agreed to enter into an Agreement for Lease of the 500 residential units for up to 50 years. At the end of the 50 year lease period the

Council will have the ability to take up an option to acquire a lease for 200 years at a peppercorn rent from Pension Insurance Corporation (PIC) for 350 of the residential units. It was also agreed that a sub under-lease would be granted to Peel for it to manage and grant residential tenancies for the first 10 years and take on the Council's rental obligations.

- 3.12 The scheme will be funded by (PIC) who will take a 250 year lease from Peel Holdings. The Council will to take a 50 year underlease of the 500 residential units and to pay PIC a fixed rent (increasing with RPI) and estate service charges to secure repayment of the loan with interest.
- 3.13 From Years 11-50 the commercial risks will be transferred to the Council with the Council's Management Company being responsible for letting out the properties, managing the apartments and for securing the rental payments for the Council.
- 3.14 As with the Birkenhead Commercial District there are downside and upside risks relating to the guarantee. A downside risk being that from year 11 a shortfall of income against the headlease rental would fall on the Council housing company. The upside risk would be any rental income received above the headlease payment would all be payable as income to the company and there would be an increase in council tax income from these new properties.

The Hythe

- 3.15 This 30,000 sq. ft Building Research Establishment Environmental Assessment Method(BREEAM) excellent Grade A office building is being taken forward by Peel Land and Property. Construction was completed in December 2021 and internal fit out is underway with tenant occupation due to start in November 2022.
- 3.16 In September 2019, Members agreed for the Council to use its covenant strength via a mechanism known as a PUT/CALL option to help to de-risk the construction of the Hythe. The PUT/CALL arrangement worked by both parties entering into an option agreement that allows for Peel to require the Council to purchase from them after an agreed period of time (in this case three years from practical completion of The Hythe i.e. December 2024) the building at the pre-determined purchase price (the PUT option of £4.98m) or for the Council to require Peel to sell them the property in the same timescale at the same pre-determined price (the CALL option).
- 3.17 The value of the completed building was determined by a detailed scheme appraisal that was carried out by the Combined Authority as part of Peel's application for Strategic Investment Fund (SIF) grant. This application was agreed to support the development. The triggering of the PUT/CALL option is not obligatory on either side and will have a definitive end date for accountancy purposes. If during the 3 years post practical completion period the Hythe is valued at a sum equal or greater than the PUT option price then the Council's obligation to Peel immediately falls away.
- 3.18 It was agreed as part of the option arrangement that the valuation process should be undertaken by independent valuers, on an annual basis from the date of practical completion of the building in December 2021. Notwithstanding this scenario and depending on valuation Peel can only trigger the PUT option at 3 years from practical completion of the building. The Council has however negotiated the right for it to exercise its CALL option anytime during the 3 years and without the obligation falling away. This means that if market conditions strengthen over this

period and the value of the completed development increases, the Council has the right to purchase the asset from Peel for the lower pre-determined price.

- 3.19 Given that the first anniversary of the building's practical completion is now approaching, the Council is working with Peel Land and Property to commission the first independent value of the Hythe. The project has been a huge success with a letting already secured for the top floor and a draft lease agreed with another company which wishes to lease the entirety of the second floor. If this proven demand for the building is reflected in the valuation and it exceeds the option price then the Council's obligation to buy the Hythe falls away, however the option to purchase the building at potentially an increased value remains with the Council until December 2024 – three years post practical completion of the Office scheme.
- 3.20 The upside and downside risks associated with this guarantee are the aforementioned potential opportunity or obligation to purchase the building at a set price which could be above or below market value and is predicated on a number of conditions being met.

Accounting Advice

- 3.21 The Council has commissioned Arlingclose to provide technical accounting advice and to undertake a full review and report on each of the current projects. This review includes the accounting within the single entity accounts of the companies, Wirral Council and group accounts. Due to the complexity of some of the arrangements, a workshop with key officers took place in August and further information was provided to Arlingclose after the workshop. Their report is due to be received within the next month and an update will be brought to the committee in January 2023 detailing their advice and or recommendations.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report. The report however details the financial guarantees that the council has entered into and activation of any one of these could have significant financial implications.

5.0 LEGAL IMPLICATIONS

- 5.1 This report provides details of the financial guarantees. The individual guarantees by their nature involve a number of legal obligations that may be invoked depending upon the circumstances of each development.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are no direct resource implications arising from the report. However, the financial guarantees relate to assets being constructed which include the Birkenhead Commercial District.

7.0 RELEVANT RISKS

- 7.1 This report is an update on the financial guarantees. The guarantees if invoked could involve significant sums being expended from the Council's budget.

8.0 ENGAGEMENT/CONSULTATION

8.1 The financial arrangements for guarantees were agreed by members via reports to the appropriate committees. There has been no further engagement or consultation in respect of the guarantees.

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 direct equality implications arising from this report

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are no environmental and climate direct implications arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are no direct community wealth implications from the report. The schemes the guarantees relate to are aimed to regenerate the borough and bring financial and social benefit to the borough.

REPORT AUTHOR: **Name: Peter Molyneux**
 Senior Finance Manager
 telephone: 0151 666 3389
 email: petemolyneux@wirral.gov.uk

APPENDIX

Appendix 1: Financial Guarantees Risks and Mitigations

Appendix 1 is exempt from publication in accordance with paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (being information relating to the financial or business affairs of any particular person, including the authority holding that information).

BACKGROUND PAPERS

Grant Thornton Annual Report on Wirral Council 2020-21 and appendices

Project papers and legal agreements in respect of:

- Wirral Growth Company Birkenhead Commercial District
- Wirral Waters Miller's Quay (previously known as Legacy)
- The Hythe

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	20 th July 2022

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Audit and Risk Management Committee – Terms of Reference

The Audit and Risk Management Committee is a key component of Wirral Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The Committee provides independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Audit and Risk Management Committee is charged by full Council to:-

- (a) Governance
 - (i) Consider the Annual Governance Statement, and be satisfied that this statement is comprehensive, properly reflects the risk and internal control environment, including the system of internal audit, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, and includes an agreed action plan for improvements where necessary.
- (b) Internal Audit and Internal Control
 - (i) With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council.
 - (ii) Consider annually the effectiveness of the system of internal audit including Internal Audit Charter, Strategy, Plan of work and performance and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and Local Government Application Note.
 - (iii) Consider the Head of Internal Audit's annual report and a summary of internal audit activity which include an opinion on the adequacy and effectiveness of the Council's internal controls including risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.
 - (iv) Consider regular summary reports on the work of internal audit including key findings, issues of concern and actions in hand as a result of internal audit activity.
 - (v) Consider reports showing progress against the audit plan and proposed amendments to the audit plan.
 - (vi) Ensure there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
- (c) Risk Management & Control
 - (i) Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the Council and ensure

that the Full Council is kept sufficiently informed to enable it to approve the Council's Risk Management Policy and Framework and that proper insurance exists where appropriate.

- (ii) Consider the effectiveness of the system of risk management arrangements.
 - (iii) Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.
 - (iv) Receive assurances that action is being taken on risk related issues identified by both internal and external auditors and other inspectors.
 - (v) Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.
 - (vi) Report to full Council as appropriate.
- (d) Anti-Fraud and Corruption
- (i) Provide proactive leadership and direction on Anti-Fraud and Corruption and champion Anti-Fraud and Corruption throughout the Council.
 - (ii) Consider the effectiveness of the Council's anti-fraud and corruption arrangements.
 - (iii) Consider an annual report and other such reports, including an annual plan on activity with respect to Anti-Fraud and Corruption performance and receive assurances that action is being taken where necessary.
 - (iv) To be appraised of any steps arising from Whistleblowing investigations and to ensure appropriate actions are being taken and reported.
- (e) Annual Statement of Accounts
- (i) Consider the external auditor's reports and opinions, relevant requirements of the International Standards on Auditing and any other reports to members with respect to the Accounts, including the Merseyside Pension Fund and approve the Accounts on behalf of the Council and report required actions to the Council. Monitor management action in response to issues raised by the external auditor.
 - (ii) Consider the External Auditors Annual Governance Report and approve the Letter of Representation with respect to the Accounts and endorse the action plan contained in this Report.
- (f) External Audit
- (i) Consider any other reports of external audit and other inspection agencies.
 - (ii) Ensure there are effective relationships between external audit and internal audit.
 - (iii) To liaise with the Public Sector Audit Appointments over the appointment of the Council's external auditors and make recommendations to Council.
- (g) Merseyside Pension Fund
- (i) Following presentation to the Pensions Committee and with due regard to any comments and observations made, consider the draft Accounts of the Merseyside Pension Fund and authorise the publication and release of these accounts to the external auditors for the audit by the statutory deadline.
- (h) Treasury Management

- (i) Consider the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensure that they meet best practice.
- (i) Partnerships and other bodies
 - (i) To deal with any audit or ethical standards issues which may arise in relation to partnership working, joint committees and other local authorities or bodies.
 - (ii) Ensure that there are effective governance arrangements in place for Wirral Borough Council's wholly owned limited companies and trading vehicles.
 - (iii) Receive and review the financial statements and dividend policies of any Wirral Borough Council limited companies and to consider recommending corrective action where appropriate
- (j) Administration
 - (i) Review the Committee's own terms of reference no less frequently than annually and where appropriate make recommendations to the Council for changes.
 - (ii) Ensure members of the committee have sufficient training to effectively undertake the duties of this committee.
 - (iii) Consider the Annual Report of the Chair of the Committee.

This page is intentionally left blank