

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.