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WIRRAL

Audit and Risk Management Committee

Date:	**Wednesday, 19 September 2012**
Time:	**6.15 pm**
Venue:	Committee Room 1 - Wallasey Town Hall

Contact Officer:	Mark Delap
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SUPPLEMENTARY AGENDA (1)

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WIRRAL COUNCIL

PENSIONS COMMITTEE

18 SEPTEMBER 2012

AUDIT & RISK MANAGEMENT COMMITTEE

19 SEPTEMBER 2012

SUBJECT	**STATEMENT OF ACCOUNTS 2011/12 - MERSEYSIDE PENSION FUND**
WARD/S AFFECTED	**ALL**
REPORT OF	**DIRECTOR OF FINANCE**
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION	**YES**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to present Members with the audited statement of accounts of Merseyside Pension Fund for 2011/12 (subject to outstanding matters) and to respond to the Annual Governance Report (AGR) from Audit Commission.

2.0 BACKGROUND AND KEY ISSUES

2.1 The purpose of the Statement of Accounts is to present the overall financial position of the Pension Fund as at 31 March 2012; in accordance with prescribed guidance.

2.2 The un-audited Statement of Accounts was discussed at a meeting of the Merseyside Pension Fund Governance and Risk Working Party in July. They were also presented as part of a briefing session on the Wirral Council Statement of Accounts 2011/12 to Wirral Council Members on 4 September 2012.

2.3 The Audit Commission is close to completion of its audit of the accounts and the Annual Governance Report is on this agenda. The District Auditor may provide a verbal update at the meeting on the AGR.

2.4 A response to the AGR is contained in the appendices to this report Officers have agreed to all of the suggested adjustments to the accounts and to the recommendations.

2.5 I have prepared a Letter of Representation on behalf of the Committee which gives assurances to the District Auditor on various aspects relating to the Pension Fund.

2.6 The Audit Opinion will be issued following final completion of the audit, consideration of the Annual Governance Report and approval of the amended Statement of Accounts at both the Pensions Committee and the Audit & Risk Management Committee.

2.7 The District Auditor has indicated that he will again issue an unqualified opinion, and state, that the accounts present fairly the financial position of Merseyside Pension Fund as at 31 March 2012. Subject to this, the accounts as now shown will form the basis of the Annual Report for the year ended 31 March 2012.

3.0 RELEVANT RISKS

3.1 There are not directly relevant to this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 The Statement of Accounts has to be produced in accordance with statutory guidance and the Accounts are subject to review by the appointed Auditor.

5.0 CONSULTATION

5.1 There has been no specific consultation in respect of this report

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are no implications arising directly from this report

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 The financial implications are set out in Annual Governance Report.

7.2 There are no IT, staffing or asset implications arising from this report.

8.0 LEGAL IMPLICATIONS

8.1 There is a legal requirement to publish the Statement of Accounts.

9.0 EQUALITIES IMPLICATIONS

9.1 There are no equality implications arising directly from the Accounts so an Equality Impact Assessment (EIA) is not required.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are no implications arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no implications arising from this report.

12.0 RECOMMENDATIONS

12.1 That the Pensions Committee considers the amendments to the draft accounts, the Annual Governance Report and the Letter of Representation and approves the audited Statement of Accounts for 2011/12.

12.2 That the Action Plan within the Annual Governance Report is agreed, and that the Pensions Committee is informed of progress with its implementation.

12.3 That the Pensions Committee refers the recommendations to the Audit & Risk Management Committee.

13.0 REASONS FOR RECOMMENDATIONS

13.1 Under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government, the District Auditor reports on Pension Fund Financial Statement, as part of those of the Council.

13.2 As the Pension Fund receives a separate AGR, this report will first be considered by the Pensions Committee, and then by the Audit and Risk Management Committee.

REPORT AUTHOR: **Paddy Dowdall**
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APPENDICES

A summary of the response to the AGR and action plan.
Statement of Accounts 2011/12.

REFERENCE MATERIAL

The Statement of Accounts plus relevant working papers and the AGR from Audit Commission were used in the production of this report.

SUBJECT HISTORY

Council Meeting	Date
Pensions Committee	19 September 2011
Audit & Risk Management Committee	28 September 2011
Pensions Committee	27 September 2010
Audit & Risk Management Committee	28 September 2010

APPENDIX 1

Response to Annual Governance Report : Audit 2011/12

1. Executive Summary

1.1 The key points are that subject to outstanding work there will be an unqualified opinion and that there are no material errors. All of the non material errors non trivial errors and disclosure errors have been amended. All of the recommendations have been agreed. The Audit Commission deliver a positive verdict on the conduct of the audit.

2. Explanation of Most Significant Corrected Errors (Non material)

2.1 Error

Overstatement of Pooled Investment Vehicles of £3.279 m due to incorrect currency rates being used.

Response

This was an error not picked up in management checks on accounts and subsequently amended.

2.2 Error

Mis-classification of investment management fee credit as investment income - amendment of £3.687m.

Response

This has no effect on the net assets statement of the fund and arguably is open to interpretation but officers are happy to accept Audit Commission's interpretation and to amend this.

2.3 Error

Re-classification of UK quoted equities to overseas quoted equities - amendment of £12.183 m.

Response

This is due to external UK Equities managers holding overseas equities within portfolios (This is permitted in the mandates as part of their unconstrained nature). For management accounting and performance measurement purposes these are treated as UK equities. The Fund is moving custodians and enhanced reporting from them will prevent a repetition of this error.

3. Recommendations relating to Internal Control

3.1 Finding

Out of date list of authorised employees within the Pension Fund to receive correspondence from external bodies, for example Fund Managers.

Recommendation R1
Ensure that the Pension Fund's authorised contacts list is updated.

Response
This exercise has been planned for some time and been delayed due to staffing issues and forthcoming banking changes. It will be implemented as part of communication exercise taking part within the implementation of new banking arrangements

4. Recommendations relating to other matters

4.1 Finding
Breach of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 in regards to investment limits.

Recommendation R2
Implement robust controls for monitoring and reporting against the investment limits set in the Statement of Investment Principles to ensure that future breaches of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 do not occur.

Response
The Fund has increased allocations to recent years in asset classes such as infrastructure which are invested through limited partnerships. The Fund has breached the limit of 5% to be invested in limited partnerships. Under the LGPS Regulations Pensions Committee through the Statement of Investment Principles is able to raise this limit to 15%. As reported to IMWP on 4th September officers will recommend to Pensions Committee in November to amend the SIP to increase this limit to 15%. Officers will also amend procedure for approval of new investments to include a check on these limits.

4.2 Finding
Compliance with requirements for Financial instruments disclosures

Recommendation R3
Review the current reporting arrangements for credit and liquidity risk, to enable fully compliant reporting in line with the Code of Practice on Local Authority Accounting in the United Kingdom.

Response
This is the first year of the requirement of these disclosures. Officers consider that they have met the requirements of the Code. There is a difference in the quantitative risks exposure of the Fund, as perceived by management of the Fund to that within the Code, the interpretation of auditors and advice issued by CIPFA. More work will be done on this, including dialogue with auditors and accountancy bodies which may result in amendments to the Statement of Investment Principles and future quarterly reporting practices to ensure that disclosures are fully compliant with the Code in future financial statements.

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WIRRAL

Finance Department

Ian Coleman, BSc, CPFA
Director of Finance

PO Box No 2,
Treasury Building,
Cleveland Street,
Birkenhead,
Wirral,
CH41 6BU.

to Michael Thomas,
District Auditor,
Aspinall House,
Aspinall Close,
Horwich,
Bolton.
BL6 6QQ

date To be after Audit Committee

your ref
my ref FA/TWS/SB
service Finance
tel 0151-666-3407 Please ask for Tom Sault
email tomsault@wirral.gov.uk

Dear Sir,

Merseyside Pension Fund - Audit for the year ended 31/03/2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors and officers of Merseyside Pension Fund and Wirral Borough Council, the following representations given to you in connection with your audit of the Pension Fund's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit |(England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Pension Fund, for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

I have made available all relevant information and access to persons within the Pension Fund and Wirral Council for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Pension Fund.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Other than the breach of regulations identified and reported in Table 3, transactions and events have been carried out in accordance with law, regulation or other authority. The Pension Fund has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

For accounting estimates relating to Private Equity, Hedge Funds and Investment Property valuations, I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the method;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Pension Fund, where relevant to the accounting estimates and disclosures;
- the disclosures relating to the accounting estimate are complete and appropriate under the Code; and
- that no subsequent event requires the Pension Fund to adjust the accounting estimate and related disclosures included in the financial statements.

Related party transactions

I confirm that I have disclosed the identity of the Pension Fund's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

I confirm that this letter has been discussed by the Pensions Committee on 18 September 2012 and agreed by the Audit and Risk Management Committee on 19 September 2012.

Tom Sault
Acting Director of Finance

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Fund Account - for year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Contributions and benefits			
Contributions receivable	6	**243,213**	266,747
Transfers in	7	**11,024**	19,273
Administration income		**199**	326
		254,436	286,346
Benefits payable	8	**267,053**	259,911
Payments to and on account of leavers	9	**13,119**	18,589
Administration expenses	10	**4,107**	4,778
		284,279	283,278
Net (withdrawals)/additions from dealings with members		**-29,843**	3,068
Return on investments			
Investment income	11	**91,070**	88,540
Profit and losses on disposal of investments and changes in value of investments	13	**35,962**	330,903
Taxes on income	11	**-1,453**	-1,988
Investment management expenses	12	**-11,225**	-10,300
Net return on investments		**114,354**	407,155
Net increase (-decrease) in the fund during the year		**84,511**	410,223
Net assets of the fund at the start of the year		**5,115,872**	4,705,649
Net assets of the fund at the end of year		**5,200,383**	5,115,872

Net Assets Statement as at 31 March 2012

	Note	2012 £'000	2011 £'000
Investment assets	13		
Equities		**1,514,762**	1,725,620
Pooled investment vehicles		**3,216,404**	2,960,106
Derivative contracts		**6,669**	756
Direct property		**290,965**	251,935
Short term cash deposits		**56,271**	59,570
Other investment balances		**75,895**	89,555
		5,160,966	**5,087,542**
Investment liabilities	16	**-15,338**	-37,114
		5,145,628	5,050,428
Long term assets	17	**30,864**	30,844
Current assets	18	**36,330**	50,586
Current liabilities	18	**-12,439**	-15,986
Net assets of the fund as at 31 March 2012		**5,200,383**	5,115,872

NOTES TO THE ACCOUNTS

1. General

Merseyside Pension Fund (MPF/the fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Wirral Council. Wirral Council is the reporting entity for this pension fund.

The following description of the fund is a summary only. For more detail, reference should be made to Merseyside Pension Fund Annual Report 2011/12 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

The fund is a contributory defined benefit pension scheme administrated by Wirral Council to provide pensions and other benefits for pensionable employees of the Merseyside Local Authorities and a range of other scheduled and admitted bodies. Teachers, police officers and fire fighters are not included as they come within other national pension schemes.

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in Merseyside Pension Fund include:

Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.

Admitted bodies, which are organisations that participate in the fund under an admission agreement between the fund and the relevant organisation.

Benefits are funded by employee and employer contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS and are matched by employers' contributions which are set based on triennial actuarial funding valuations.

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service. In May 2012 the Local Government Association announced the 2012 new LGPS proposals to take effect from 1 April 2014 subject to consultation. The new proposed scheme is a career average revalued scheme.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail price index to the consumer price index. This change took effect from 1 April 2011.

2. Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2011/12 financial year and its position at year end as at 31 March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 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 on pages 00 to 00.

3. Accounting policies

The financial statements have been prepared on an accruals basis, unless otherwise stated.

Contributions and benefits

Contributions are accounted for on an accruals basis. 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. Augmentation and pension strain payments due from employers in future years are accrued for.

Transfers to and from other schemes

Transfer payments relate to those early leavers whose transfers have been paid during the year plus an accrual for future payments in respect of members moving their service to other schemes under bulk transfer arrangements.

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.

Administration expenses

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions team are charged direct to the fund. Management and other overheads are apportioned to the fund in accordance with council policy.

Investment management expenses

All investment management expenses are accounted for on an accrual basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing thei 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.

For certain unquoted investments including private equity, hedge funds, opportunities and infrastructure the fun 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.

The cost of obtaining investment advice from external consultants is included in investment management expenses.

Costs in respect of the internal investment team are classified as investment management expenses.

Property expenses

Property expenditure is accounted for in the calendar year.

Investment income

Income from equities is accounted for when the related investment is quoted ex dividend. Income from pooled investment vehicles and interest on short term deposits has been accounted for on an accruals basis. Distributions from associates and joint ventures are treated as return of capital until the book value is nil then treated as income on an accruals basis.

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.

Rental income

Rental income from properties is taken into account by reference to the periods to which the rents relate and is shown net of related expenses. The fund accrues rent up to 24 March each year. Rent received on the Quarter Day, 25 March, is accounted for in full in the following year.

Valuation of investments

Financial assets are included in the net asset statement on a fair value basis as at the reporting date. The values of investments as shown in the net asset statement are determined as follows:

Listed securities are valued at quoted bid market prices on the final day of the accounting period. The bid price is the price which the fund would have obtained should the securities have been sold at that date.

For unlisted investments wherever possible valuations are obtained via the independent administrator. Valuations that are obtained direct from the manager are verified against the latest available audited accounts adjusted for any cash flows up to the reporting date.

Hedge funds and infrastructure are recorded at fair value based on net asset values provided by fund administrators or using latest financial statements published by respective fund managers adjusted for any cash flows.

Private equity valuations are in accordance with the guidelines and conventions of the British Venture Capital Association/International Private Equity guidelines or equivalent.

Indirect property is valued at net asset value or capital fair value basis provided by the fund manager and of listed funds net asset value per unit is obtained through data vendors.

Direct property is valued at fair value as defined by the IASB and market rent as set out in VS 3.3 of the Professional Standards, as at the reporting date. Direct properties have been valued independently by Colliers International in accordance with Royal Institute of Chartered Surveyors Valuation Professional Standards as at 31 March 2012.

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.

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.

Basis of estimates

Estimates for post year end outstanding items have been used for the following activities: payments of retirement grants, death grants and investment managers' fees

- 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
- investment managers' fees outstanding: estimated using the Fund's valuations as at 31 March 2012.

Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Hedge funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the hedge fund directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

4. Critical judgments in applying accounting policies

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 2012 was £1,021m (£874m at 31 March 2011)

5. Events after the balance sheet date

There have been no events since 31 March 2012, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

6. Contributions receivable

		2012	2011
		£'000	£'000
Employers			
Normal		**100,690**	165,836
Augmentation		**145**	45
Pension strain		**19,501**	28,471
Deficit funding		**67,673**	11,874
Employees			
Normal		**55,204**	60,521
		243,213	266,747
relating to :	Administering authority	**37,271**	41,317
	Statutory bodies	**171,379**	187,628
	Admission bodies	**34,563**	37,802
		243,213	266,747

Employers normal contributions for 2012 no longer includes an element of past service deficit, as this is now shown under deficit funding. However, the 2011 employers normal contributions does include an element of past service deficit. The 2007 actuarial valuation calculated the average employer contribution rate of 17.8%, 12.1% was determined the average employer rate in respect of future service only and 5.7% for past service deficit.

"Augmentation" represents payments by employers to the fund for the costs of additional membership benefits awarded under LGPS regulations. An accrual has been made for agreed future payments to the fund.

"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" for 2012 includes payments by employers for past service deficit and additional payments by employers to reduce a deficit. However, the 2011 deficit funding represents additional payments by employers only as the past service deficit element was included in employers normal contributions. Also included is £1.4m relating to Magistrates Courts (2010/11 £7.2m) which was previously an active member of the fund.

The fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2011/12 no such charges were levied.

7. Transfers in

	2012	2011
	£'000	£'000
Group transfers	**169**	4,609
Individual transfers	**10,855**	14,664
	11,024	19,273

8. Benefits payable

		2012 £'000	2011 £'000
Pensions		**199,812**	182,237
Lump sum retiring allowances		**62,277**	72,053
Lump sum death benefits		**4,964**	5,621
		267,053	259,911
relating to :	Administering authority	**40,995**	40,647
	Statutory bodies	**188,629**	186,790
	Admission bodies	**37,429**	32,474
		267,053	259,911

9. Payments to and on account of leavers

	2012 £'000	2011 £'000
Refunds to members leaving service	**7**	15
Payment for members joining state scheme	**3**	1
Income for members from state scheme	**-5**	-18
Group transfers to other schemes	**0**	0
Individual transfers to other schemes	**13,114**	18,591
	13,119	18,589

10. Administration expenses

	2012 £'000	2011 £'000
Administration and processing	**3,717**	**4,396**
Actuarial fees	**283**	**312**
External audit fees	**81**	**37**
Internal audit fees	**26**	**33**
	4,107	4,778

External audit fees for 2012 includes fees for 2011.

11. Investment income

	2012 £'000	2011 £'000
Dividends from equities	**55,447**	**58,027**
Income from pooled investment vehicles	**15,448**	**9,005**
Net rents from properties	**15,960**	**17,242**
Interest on short term cash deposits	**369**	**705**
Income from associate and joint ventures	**2,682**	**2,405**
Income from derivatives	**349**	**257**
Other	**815**	**899**
	91,070	88,540
Irrecoverable withholding tax	**-1,453**	-1,988
	89,617	86,552

Rents from properties		
Rental income	**21,773**	22,001
Direct operating expenses	**5,813**	4,759
Net rent from properties	**15,960**	17,242

Within investment income for 2011 £450,000 of dividends from equities has been reattributed to income from pooled investment vehicles.

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £1.8m (2010/11 £1.6m).

The fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, but is not accruing for future receipt of such income within these accounts. Repayments received in 2011/12 £68,344 (2010/11 nil).

As at 31 March 2012, £177.0m of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £185.7m, giving a margin of 4.9%. Collateral is marked to market, and adjusted daily. Income from stock lending amounted to £739,965 and is included within "Other" Investment Income. As the fund retains its economic interest in stock on loan, their value remains within the fund valuation. As the fund has an obligation to return collateral to the borrowers, collateral is excluded from the fund valuation. The fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the fund further protection against losses.

The risks associated with stocklending are set out in the fund's "Statement of Investment Principles".

12. Investment management expenses

	2012	2011
	£'000	£'000
External management fees	10,277	9,197
External services	638	707
Internal management costs	310	396
	11,225	10,300

13. Investments

	Market value @ 31.3.11 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value* £'000	Market value @ 31.3.12 £'000
Equities	1,725,620	716,073	-849,852	-77,079	1,514,762
Pooled investment vehicles	2,960,106	487,686	-349,177	117,789	3,216,404
Derivative contracts	756	109,632	-99,993	-3,726	6,669
Direct property	251,935	41,447	0	-2,417	290,965
	4,938,417	1,354,838	-1,299,022	34,567	5,028,800
Short term cash deposits	59,570			67	56,271
Other investment balances	89,555			1,328	75,895
	5,087,542			35,962	5,160,966

*Note: The change in market value of investments during the year comprises all realised and unrealised appreciation and depreciation. For 2010/11 purchases of £2.4bn and sales of £2.4bn.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties. They have been added to purchases and netted against sales proceeds as appropriate. Transaction costs during the year amounted to £1.7m (2010/11 £2.1m). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the fund.

13a. Analysis of investments

Equities (segregated holdings)	2012 £'000	2011 £'000
UK quoted	678,776	855,304
Overseas quoted	835,986	870,316
	1,514,762	1,725,620

Pooled investment vehicles	2012 £'000	2011 £'000
UK managed funds:		
Property	24,208	26,000
Equities	193,450	224,555
Private equity	161,631	143,309
Hedge funds	56,939	48,818
Corporate bonds	186,523	188,279
Infrastructure	47,966	26,992
Opportunities	129,629	96,680
Overseas managed funds:		
Equities	267,703	292,919
Private equity	104,008	97,198
Hedge funds	173,771	176,358
Infrastructure	18,316	11,321
Opportunities	57,750	18,370
UK unit trusts:		
Property	84,444	80,337
Overseas unit trusts:		
Property	51,315	57,863
Unitised insurance policies	1,658,751	1,471,107
	3,216,404	2,960,106

UK properties	2012 £'000	2011 £'000
Freehold	249,387	211,761
Leasehold	41,578	40,174
	290,965	251,935
Balance at the start of the year	251,935	210,225
Additions	41,447	42,722
Disposals	0	-10,317
Net gain/loss on fair value	0	-653
Transfers in/out	0	0
Other changes in fair value	-2,417	9,958
Balance at the end of the year	290,965	251,935

As at 31 March 2012 there were no amounts of restrictions on the realisability of investment property or of income and proceeds of disposal.

Contractual obligations for development, repairs and maintenance amounted to £2.5m. There were no obligations to purchase new properties.

Short term cash deposits	2012 £'000	2011 £'000
Sterling	55,316	59,570
Foreign currency	955	0
	56,271	59,570

Short-term deposits only cover cash balances held by the fund. Cash held by investment managers awaiting investment is shown under "other investment balances".

Other investment balances	2012 £'000	2011 £000
Amounts due from brokers	349	257
Outstanding trades	7,018	35,523
Outstanding dividend entitlements and recoverable withholding tax	17,081	16,034
Cash deposits	51,447	37,741
	75,895	89,555

13b. Impairment on Icelandic deposits

At the time Iceland banks collapsed in October 2008, the fund had two investments £2.5m with Heritable Bank and £5m with Glitnir Bank.

The administrators for Heritable Bank estimated that the total amount to be received was to be between 86% and 90% of the claim. The Fund has therefore decided to recognise an impairment based on it recovering the mid point 88%. As at 31 March 2012 the fund had received dividend payments totalling £1.7m.

In December 2011, the courts determined that local authority deposits with Glitnir Bank qualified for priority status. In March 2012, 81 pence in the £ was recovered and the remaining 19% remains held in Icelandic Krona in an escrow account. An impairment charge of £338,477 against accrued interest has been recognised in the Fund Account in 2011/12.

The total amount of accrued interest is £183,933 (2010/11 £385,653).

13c. Analysis of derivatives

Futures

Type	Expires	Economic exposure £'000	Market value 31 March 2012 £'000	Economic exposure £'000	Market value 31 March 2011 £'000
Assets					
EURO STOXX 50 Index	Jun-12	3,474	347	2,694	269
Swiss Market Index Futu	Jun-12	933	93	0	0
Total assets			440		269
Liabilities			0		0
Total liabilities			0		0
Net futures			440		269

A futures contract is the obligation under a legal agreement to make or take delivery of a specified instrument at a fixed future date, at a price determined at the time of dealing. Merseyside Pension Fund's index futures contracts are externally managed and their objective is to hedge overseas investment positions against adverse index movements. Futures dealing requires the posting of margin. Initial margin which must be posted before you can trade and variation margin, the mark-to-market value of the futures contracts you hold. Variation margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral is held in EUR, CHF and GBP currency and the Sterling equivalent is £104,088. DJ Euro STOXX 50 and Swiss Index Futures have a contract multiplier of x10 therefore the notional value underlying the futures contracts is £4.4m.

Forward currency contracts

	Settlement date	Currency bought '000	Currency sold '000	Asset £'000	Liability £'000
Forward currency contracts	Up to one month	AUD 17,531	GBP 11,424	72	
Forward currency contracts	Up to one month	GBP 8,275	AUD 12,713		-71
Forward currency contracts	Up to one month	EUR 62,092	GBP 53,473	4,368	
Forward currency contracts	Up to one month	GBP 50,426	EUR 58,660		-4,370
Forward currency contracts	Up to one month	HKD 14,816	GBP 1,197		
Forward currency contracts	Up to one month	GBP 1,271	MYR 6,235		
Forward currency contracts	Up to one month	SGD 6,224	GBP 3,139		
Forward currency contracts	Up to one month	GBP 3,502	SGD 7,025		
Forward currency contracts	Up to one month	GBP 745	SEK 7,700		
Forward currency contracts	Up to one month	CHF 21,149	GBP 14,753	1,200	
Forward currency contracts	Up to one month	GBP 16,172	CHF 23,280		-1,202
Forward currency contracts	Up to one month	GBP 194	THB 9,626		
Forward currency contracts	Up to one month	USD 9,178	GBP 5,613		
Forward currency contracts	Up to one month	GBP 5,424	USD 8,745		
				5640	-5643
Net forward currency contracts at 31 March 2012					-3
Prior year comparative					
Open forward currency contracts at 31 March 2011				18	0
Net forward currency contracts at 31 March 2011					18

The funds 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.

Options

Investment Underlying Option Contract	Expires	Put/Call	Notional Holding £,000	Market Value 31 March 2012 £'000	Notional Holding £,000	Market Value 31 March 2011 £'000
Etihad Etisalat Co SAR 10.00	October 2012	Call	598	589	469	469

A call option is an agreement that gives an investor the right (but not the obligation) to buy a stock, bond, commodity, or other instrument at a specified price within a specific time period. The funds only call exposure is a residual holding from a manager transition.

13d. Summary of managers portfolio values as at 31 March 2012

Externally managed	2012 £'m	%	2011 £'m	%
JP Morgan (European equities)	175	3.4	192	3.8
UBS (US equities)	401	7.8	417	8.2
Nomura (Japan)	204	3.9	201	4.0
Schroders (fixed income)	187	3.6	189	3.7
Legal & General (pooled assets - UK and Emerging Markets e	1,035	20.1	859	16.9
Legal & General (fixed income)	223	4.3	195	3.8
Unigestion (European equities)	141	2.7	147	2.9
M&G (UK equities)	171	3.3	167	3.3
M&G (global emerging markets)	127	2.5	134	2.6
TT International (UK equities)	156	3.0	148	2.9
Blackrock (UK equities)	168	3.2	165	3.2
Blackrock (Pacific Rim)	104	2.0	110	2.2
Newton (UK equities)	138	2.7	135	2.7
Amundi (global emerging markets)	124	2.4	139	2.7
Maple-Brown Abbot (Pacific Rim equities)	101	2.0	104	2.0
	3,455	66.9	3,302	64.9

	2012		2011	
	£'m	%	£'m	%
Internally managed				
UK equities	270	5.2	481	9.4
European equities	127	2.5	144	2.8
Property (direct)	291	5.6	252	5.0
Property (indirect)	166	3.2	172	3.4
Private equity	266	5.2	241	4.7
Hedge funds	237	4.6	225	4.4
Infrastructure	66	1.3	38	0.8
Opportunities	196	3.8	115	2.3
Short term deposits & other investments	87	1.7	117	2.3
	1,706	33.1	1,785	35.1
	5,161	100.0	5,087	100.0

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

	2012		2011	
	£'000	%	£'000	%
Legal & General pooled UK index linked gilts	575,949	11.2	487,795	9.7
UBS USA equity tracker	401,274	7.8	417,291	8.3
Legal & General pooled UK equities	410,018	8.0	371,470	7.4

14. Financial instruments

14a. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net asse statement heading.

	31 March 2012			31 March 2011		
	Loans and receivable s	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss
				Restated	Restated	Restated
	£000	£000	£000	£000	£000	£000
Financial assets						
Equities			1,514,762			1,725,620
Pooled investment vehicles			3,216,404			2,960,106
Derivatives			6,669			756
Cash deposits	56,271			59,570		
Other investment balances			75,895			89,555
Debtors	67,194			81,430		
Total financial assets	123,465	0	4,813,730	141,000	0	4,776,037
Financial liabilities						
Derivatives						
Other investment balances			15,338			37,114
Creditors		12,439			15,986	
Total financial liabilitie	0	12,439	15,338	0	15,986	37,114
Net	123,465	-12,439	4,798,392	141,000	-15,986	4,738,923

14b. Net gains and losses on financial instruments

	2012 £'000	2011 £000
Financial assets		
Fair value through profit and loss	**38,312**	321,598
Loans and receivables	**67**	0
Financial liabilities		
Fair value through profit and loss		
Financial liabilities at amortised cost		
Total	**38,379**	**321,598**

14c. Fair value of financial instruments and liabilities

	2012 Carrying value £'000	2012 Fair value £000	2011 Carrying value £'000	2011 Fair value £000
Financial assets				
Fair value through profit and loss	**3,961,786**	**4,813,730**	3,831,197	4,776,037
Loans and receivables	**123,465**	**123,465**	141,000	141,000
Total financial assets	**4,085,251**	**4,937,195**	**3,972,197**	4,917,037
Financial liabilities				
Fair value through profit and loss	**15,338**	**15,338**	37,114	37,114
Financial liabilities at amortised cost	**12,439**	**12,439**	15,986	15,986
Total financial liabilities	**27,777**	**27,777**	53,100	53,100

The above table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values. The carrying value is the book cost and the fair value is market value.

14d. Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classed into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the market quotation c the relevant stock exchange.

Level 2

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

Level 3

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

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

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuatio Guidelines, which follow the valuation principles of IFRS. Valuations are usually undertaken annually at the enc 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 and liabilities 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 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets				
Financial assets at fair value through profit and loss	1,938,397	2,066,665	808,668	4,813,730
Loans and receivables	123,465			123,465
Total financial assets	2,061,862	2,066,665	808,668	4,937,195
Financial liabilities				
Financial liabilities at fair value through profit and loss	15,338			15,338
Financial liabilities at amortised cost	12,439			12,439
Total financial liabilities	27,777	0	0	27,777
Net financial assets	**2,034,085**	**2,066,665**	**808,668**	**4,909,418**

Values at 31 March 2011	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets				
Financial assets at fair value through profit and loss	2,194,139	1,896,995	684,903	4,776,037
Loans and receivables	141,000			141,000
Total financial assets	2,335,139	1,896,995	684,903	4,917,037
Financial liabilities				
Financial liabilities at fair value through profit and loss	37,114			37,114
Financial liabilities at amortised cost	15,986			15,986
Total financial liabilities	53,100	0	0	53,100
Net financial assets	2,282,039	1,896,995	684,903	4,863,937

15. Nature and extent of risks arising from financial instruments

Risk and risk management

The fund's objective is to achieve a funding level position of 100% whilst minimising the level and volatility of employer contributions. Investment strategy is decided with clear reference to this objective.

Over the long term, the fund's objective is to set policies that will seek to ensure that investment returns achieved will at least match the assumptions underlying the actuarial valuation and therefore be appropriate to the liabilities of the fund.

Having regard to its liability profile, the fund has determined that adopting a bespoke benchmark should best enable it to implement an effective investment strategy. This strategic benchmark is reviewed every three years at a minimum, at the time of the actuarial valuation but will be reviewed as required particularly if there have been significant changes in the underlying liability profile or the investment environment.

The fund has carefully considered the expected returns from the various permitted asset classes and has concluded that in the longer term the return on equities will be greater than from other conventional assets. Consequently, the benchmark is biased towards equities and skewed towards active management, particularly in less developed markets.

The fund is also cognisant of the risk that the shorter term returns may vary significantly from one period to another and between the benchmark and actual returns. Diversification of assets is seen as key to managing this risk and the risk/return characteristics of each asset and their relative correlations are reflected in the make up of the strategic benchmark.

The fund believes that, over the long term, a willingness to take on volatility and illiquidity is likely to be rewarde with outperformance. The fund considers that its strong employer covenant, maturity profile and cash flows enable it to adopt a long term investment perspective. A mix of short term assets such as bonds and cash is maintained to cover short term liabilities while equities (both passive and active), private equity and direct property are held to benefit from the potential rewards arising from volatility and illiquidity risks. The fund recognises that risk is inherent in investment activity and seeks to manage the level of risk that it takes in an appropriate manner. The fund manages investment risks through the following measures:

Broad diversification of types of investment and investment managers
Explicit mandates governing the activity of investment managers.
The use of a specific benchmark, related to liabilities of the fund for investment asset allocation
The appointment of independent investment advisors to the Investment Monitoring Working Party
Comprehensive monitoring procedures for investment managers including internal officers and scrutiny by elected Members.

15a. Market risk

The fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The general practice to quantify these risks is to measure the volatility of historical performance. The tables below show the fund's exposure to asset classes and their reasonable predicted variance (as provided by the fund's investment consultants) and the resulting potential changes in net assets available to pay pensions. The figures provided are a forward looking assumption of future volatility based on analysis of previous performance and probability. The first table below shows the values of different financial instruments for the current and previous year with no material difference in values.

	2012	2011
	£'m	£'m
UK Equities (all equities including pooled vehicles)	1,283	1,452
US Equities	404	417
European Equities	443	477
Japan Equities	204	201
Emerging Markets Equities inc Pac Rim	454	485
UK Fixed Income Pooled Vehicles	458	383
UK Index Linked Pooled Vehicles	576	488
Pooled Property	161	164
Private Equity	264	241
Hedge Funds	231	225
Infrastructure	66	38
Other Alternative Assets	187	115
Short term deposits & other investment balances	178	178
Total	4,909	4,864

	Value March 2012	Potential Variance	Value on increase	Value on decrease
	£'m	%	£'m	£'m
UK Equities (all equities including pooled vehicles)	1,283	22.5%	1,572	994
US Equities	404	21.0%	489	319
European Equities	443	22.5%	543	343
Japan Equities	204	22.5%	250	158
Emerging Markets Equities inc Pac Rim	454	31.5%	597	311
UK Fixed Income Pooled Vehicles	458	10.0%	504	412
UK Index Linked Pooled Vehicles	576	9.0%	628	524
Pooled Property	161	16.0%	187	135
Private Equity	264	29.0%	341	187
Hedge Funds	231	8.0%	249	213
Infrastructure	66	16.0%	77	55
Other Alternative Assets	187	22.5%	229	145
Short term deposits & other investment balances	178	0.0%	178	178
Total	**4,909**		**5,843**	**3,975**

15b Credit risk

The fund does not hold any fixed interest securities directly and the managers of the pooled fixed income vehicles are responsible for managing credit risk, section a of this note covers the market risks of these holdings.

The fund's arrangements for derivatives, securities lending and impaired items are dealt with in other notes to the accounts.

The short term cash deposits and other investment balances are diversified with investment grade financial institutions. The fund has a treasury management policy that is compliant with current best practice.

15c. Liquidity risk

The fund's key priority is to pay pensions in the long term and in the short term and the asset allocation is the key strategy in ensuring this. The earlier sections have dealt with the longer term risks associated with market volatility.

To ensure liquidity for payment of pensions the fund has an allocation of 1% to cash; £56 million is the actual figure at balance sheet date which equates to over 2 months of pensions payments. The fund also has £3,846m in assets which could be realised in under a months notice

The fund has no borrowing or borrowing facilities.

The management of the fund also prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. Whilst the fund has a net withdrawal for 2011/12 in its dealing with Members of £29m, this is offset by investment income of £95m.

16. Investment liabilities

	2012 £'000	2011 £000
Derivative contracts	5,644	0
Amounts due to stockbrokers	9,694	37,114
	15,338	37,114

17. Long term assets

		2012 £'000	2011 £'000
Assets due in more than one year		30,864	30,844
		30,864	30,844
			Restated
relating to:	central government bodies	5,535	5,969
	other local authorities	23,230	16,533
	nhs	0	0
	public corporations and trading funds	285	6,785
	bodies external to general government	1,814	1,557
		30,864	30,844

A debtor has been identified as being classed as a central government body. The 2011 debtors have been restated to take account of this change.

Payments are being received in respect of pensioner and deferred members of the Magistrates Courts, which was previously an active employer in the fund. Year 1 is shown as a current asset, but years 2 - 8 have been discounted at a rate of 4% and are included above. Also discounted are future payments of pension strain to be paid by employers in 2013/14 onwards.

18. Current assets and liabilities

		2012 £'000	2011 £'000
Assets			
Contributions due		24,824	24,280
Amounts due from external managers		0	10,831
Accrued and outstanding investment income		3,006	1,582
Transfer values receivable		0	3,264
Retirement grants paid in advance		0	36
Sundries		7,957	9,836
Provision for bad debts		-375	-50
Cash at bank		918	807
		36,330	50,586
			Restated
relating to:	central government bodies	1,272	887
	other local authorities	19,994	19,946
	nhs	2	0
	public corporations and trading funds	525	2,559
	bodies external to general government	14,537	27,194
		36,330	50,586

Liabilities		2012 £'000	2011 £'000
Transfer values payable		**0**	0
Retirement grants due		**1,775**	4,408
Provisions		**602**	873
Miscellaneous		**10,062**	10,705
		12,439	15,986
relating to:	central government bodies	**2,292**	2,737
	other local authorities	**1,380**	3,564
	nhs	**0**	0
	public corporations and trading funds	**16**	855
	bodies external to general government	**8,751**	8,830
		12,439	**15,986**
Total current assets and liabilities		**23,891**	34,600

"Sundries" mainly covers general debtors, property arrears due, agents' balances and recoverable taxation.

"Provision for bad debt" relates to property rental income, and is based on an assessment of all individual property debts as at 31 March 2012.

The main components of "Miscellaneous Liabilities" are the outstanding charges for investment management fees, payable quarterly in arrears, custodian and actuarial fees, plus income tax due, pre-paid rent and administering authority re-imbursement.

A number of debtors have been identified as being classed as bodies external to general government. The 2011 debtors have been restated to take account of this change.

19. Contractual commitments

Commitments for investments amounted to £285.7m as at 31st March 2012. (2010/11 £187.7m). These commitments relate to Private Equity £159.8m, Infrastructure £72.9m, Opportunities £9.1m, Indirect Property £43.9. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

20. 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 convenants by engaging "contingent assets in the form of bonds/indemnity insurance, local authority guarantors, parent company guarantors or charge on assets to mitigate the risk of employers exiting the Fund leaving unrecoverable debt.

These financial undertakings are drawn in favor of Wirral Borough Council, as the Administrating Authority of Merseyside Pension Fund and payment will only be triggered in the event of employer default.

21. 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.

Administration and investment management costs include charges by Wirral Council in providing services in its role as administering authority to the fund, which amount to £3.8m. (2011 £4.9m). 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 £14.8m and creditor £276,680 balances as at 31 March 2012.

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 in respect of March 2012 payroll are included within the debtors figure in note 18.

A specific declaration has been received from Pension Committee Members and principal officers regarding membership of, and transactions with, such persons or their related parties. A number of Members act as Councillors or Board members of particular scheme employers, listed below, who maintain a conventional employer relationship with the fund:

Liverpool City Council, Knowsley Council, Sefton Council and St Helens Borough Council, all of whose Councillors may become scheme members, Wirral Council, Liverpool John Moores University, CDS Housing, Greater Hornby Homes and Wirral Partnership Homes. The value of the transactions with each of these relatec 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.

Patrick Dowdall, Investment Manager - Alternatives, acts in an un-remunerated advisory capacity on 6 investment bodies in which the fund has an interest, Standard Life (£7.3m), F&C (£2.1m) and Palatine previously called Zeus (£3.7m), by whom travel expenses and accommodation were paid, plus Key Capital (£3.9m) Enterprise (£1.8m) and Capital Dynamics (£90.7m).

Owen Thorne, Investment Officer acts in an un-remunerated board member capacity at Institutional Investors Group on Climate Change (IIGCC), to which the fund pays an annual subscription.

Each member of the Pension Fund Committee formally considers conflicts of interest at each meeting.

Key management personnel

The posts of Director of Finance, Deputy Director of Finance and Head of Pension Fund are deemed to be key management personnel with regards to the pension fund. The financial value of their relationship with the fund (in accordance withIAS24) are set out below:

	2012	2011
	£'000	£'000
Short term benefits*	**309**	318
Long term/post retirement benefits**	**1,686**	1,559
Total		

*This is the pensions element of short term remuneration for key management personnel, i.e. annual salary, benefits in kind and employer contributions
**This is the accrued pension benefits, expressed as cash equivalent transfer value.

22. Additional voluntary contribution investments

The Committee holds assets invested separately from the main fund. In accordance with regulation 5 (2) (c) of the Pensions Schemes (Management and Investment of Funds) Regulations 1998, these assets are excluded from the Pension Fund accounts.

The Scheme providers are Equitable Life, Standard Life and Prudential. Individual members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year.

	2012	2011
	£000	£000
The aggregate amount of AVC investments is as follows :		
Equitable Life	**2,596**	2,898
Standard Life	**5,683**	6,035
Prudential	**4,477**	4,079
	12,756	13,012
Changes during the year were as follows:		
Contributions	**1,677**	1,705
Repayments	**2,278**	3,544
Change in market values	**345**	517

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MERCER

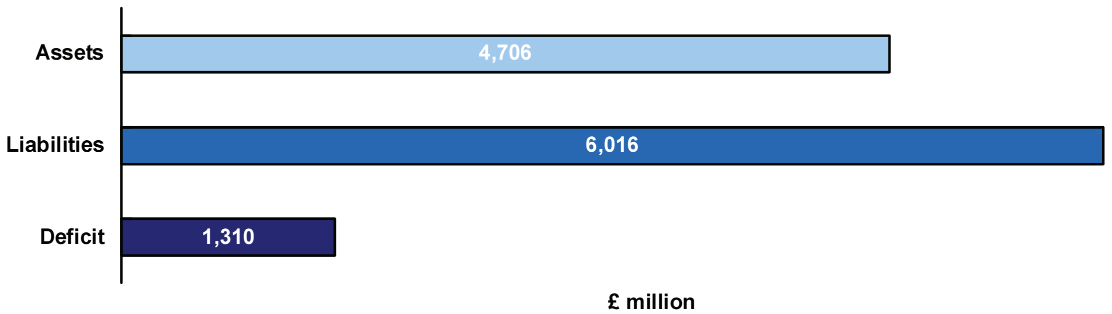
MERSEYSIDE PENSION FUND

Accounts for the year ended 31 March 2012 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014.

On the basis of the assumptions adopted, the Fund's assets of £4,706 million represented 78% of the Fund's past service liabilities of £6,016 million (the "Funding Target") at the valuation date.



The valuation also showed that a common rate of contribution of 11.6% of pensionable pay per annum was required from employers. The common 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.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 6.4% of pensionable pay for 25 years. This would imply an average employer contribution rate of 18.0% of pensionable pay in total.

Further details regarding the results of the valuation are contained in our formal report on the actuarial valuation dated 30 March 2011.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our 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). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

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

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)		
- pre retirement	6.5% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases	4.5% per annum	4.5% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.0% per annum	3.0% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

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:

	31 March 2011	31 March 2012
Rate of return on investments (discount rate)	5.5% per annum	4.9% per annum
Rate of pay increases	4.4% per annum	4.0% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.9% per annum	2.5% per annum

We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. Demographic assumptions are the same as those used for funding purposes.

On this basis, the value of the Fund's promised retirement benefits as at 31 March 2011 and 31 March 2012 were £6,720 million and £7,273 million respectively. During the year, corporate bond yields reduced significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.9% p.a. versus 5.5% p.a.), and in addition there was a reduction in inflation expectations (from 2.9% p.a. to 2.5% p.a.). The net effect of these changes is an increase in the Fund's liabilities for the purposes of IAS26 of about £249 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
August 2012

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WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

19 SEPTEMBER 2012

SUBJECT	**STATEMENT OF ACCOUNTS 2011/12**
WARD/S AFFECTED	**ALL**
REPORT OF	**DIRECTOR OF FINANCE**
RESPONSIBLE PORTFOLIO HOLDER	**COUNCILLOR PHIL DAVIES**
KEY DECISION	**YES**

1.0 EXECUTIVE SUMMARY

1.1. The Council Constitution allocates responsibility for the approval of the Statement of Accounts to the Audit & Risk Management Committee. The Statement for 2011/12 was published on 29 June 2012 and was then subject to audit. The District Auditor will present his findings, within the Annual Governance Report (AGR) together with any additional update, to this meeting.

1.2. Members are requested to consider the findings of the District Auditor, agree the Letter of Representation, agree the Action Plan and then approve the Statement of Accounts for 2011/12.

1.3 The Statement of Accounts includes the Merseyside Pension Fund (MPF) accounts as Wirral Council is the Administering Authority for MPF. As the MPF receives a separate Annual Governance Report this has to be considered by Pensions Committee and also this Committee as part of approving the Accounts.

2.0 BACKGROUND AND KEY ISSUES

INTRODUCTION

2.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2012 in accordance with prescribed guidance – the Code of Practice on Local Authority accounting in the United Kingdom (the Code). This is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts which present a true and fair view of the financial position.

2.2 The Accounts and Audit Regulations 2003, as amended in 2011, state that the Statement of Accounts must be approved by an appropriate Committee no later than 30 September. The Chief Finance Office was required to certify the Accounts by 30 June 2012. On 29 June 2012 the Accounts were issued to all Members of this Committee and made publicly available.

2.3 On 4 September 2012 a briefing session was held for Members of this `Committee with the session open to all Members of the Council entitled 'Understanding the Council's published final accounts'. The session included:-

- Overview and role of the Audit & Risk Management Committee which included legal requirements, roles, responsibilities and the process.
- Statement of Accounts 201/112 which included a review of the contents, a focus of the Financial Statements and highlights of the key areas.
- Changes in 2011/12 which covered the changes to the accounts as well as the changes to Council procedures to deliver improvements to the production and accuracy of the statements.
- Overview of the Merseyside Pension Fund accounts for 2011/12 based on the more detailed presentation to Pensions Committee.

2.4 The Accounts published at 30 June are subject to audit. Under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government the District Auditor reports on the financial statements. As stipulated by the Regulations, these are to be reported prior to 30 September.

AMENDMENTS TO THE STATEMENT OF ACCOUNTS

2.5 The amendments to the financial statements requested by the District Auditor are detailed in the Annual Governance Report (Appendix 2). One item results in an increase in the level of General Fund balance and a reduction in the level of provisions whilst the other is an adjustment between accounts. Members are asked to consider whether or not they agree to the amendments which have been agreed by officers.

2.6 The District Auditor has also identified a potential misstatement which has not been adjusted in the Accounts (Appendix 3). Members are asked to consider whether or not they would want to adjust the Statement of Accounts. This item relates to an item that was considered, and not adjusted, in the 2010/11 Accounts. There is no recurrence of the issue in 2011/12 but is included this year as the 2011/12 Accounts include the previous year for comparative purposes. Any unadjusted misstatement must be referred to in the Letter of Representation.

2.7 The amendments result in an increase in the General Fund balance of £0.3 million and a corresponding reduction in the level of provisions at 31 March 2012 compared to that reported to Cabinet on 21 June 2012.

AUDITOR'S REPORT AND OPINION

2.8 The Audit Opinion will be issued following Committee consideration of the Annual Governance Report, approval of any amendments to the Statement of Accounts and agreement of the Letter of Representation. The District Auditor will issue his opinion before 30 September 2012 and state if the accounts are a true and fair view of the financial position of the Council at 31 March 2012.

2.9 The Auditor’s report will be incorporated within the final version of the Statement of Accounts that will enable the accounts to be agreed and published by the statutory deadline of 30 September 2012.

2.10 Besides commenting on the Financial Statements the District Auditor also reports on ‘Matters by exception’. He refers to the Annual Governance Statement, for which a report updating this is on this agenda, and the report in the public interest in respect of the Highways and Engineering Services contract. Under Value for Money he concludes that the Council has not made proper arrangements to secure economy, efficiency and effectiveness in the use of resources and issues remain in respect of governance which the Council has acknowledged in the Wirral Improvement plan and latest financial monitoring reports to Cabinet.

COMMENTS

2.11 In his 2010/11 report the District Auditor highlighted the fact that the Accounts were presented after the deadline of 30 June 2011, were subject to change, the working papers presented at the time were incomplete and not of the required standard and the quality assurance was not evident. The production of the 2010/11 Accounts presented the Council with a number of challenges primarily from 2010/11 being the first year upon which the Accounts were fully prepared under International Financial Reporting Standards (IFRS) but also that the capacity within the Financial Services Division was limited to manage the competing pressures placed upon the Division (as referred to in Recommendation 7 in the AGR Action Plan). It should be noted that despite these issues he gave an unqualified opinion on the Accounts for 2010/11 which were published by the statutory deadline and there were no changes to the financial position that had been reported to Cabinet.

2.12 As reported to Committee in February 2012 a review was undertaken of the 2010/11 closedown and based upon this review, the lessons learnt, the comments of the Audit Commission and the experience of the initial year of completing accounts under IFRS to inform the completion of accounts plan for 2011/12. Actions were taken to improve procedures, including greater use of systems, and implement greater discipline into the process in 2011/12. This included a re-focussing of activities to realise capacity through re-organisation rather than the recruitment of additional resources. This approach helped deliver a smoother final accounts process and the District Auditor has reported that he ‘received good quality statements in accordance with the statutory deadline which shows evidence of quality assurance and significantly better closedown arrangements than in previous years’. However the issue of competing pressures within the Financial Services Division does remain as capacity is limited and the management of the pressures has proven to be a considerable challenge since the commencement of the current financial year.

2.13 The Council continues to improve and enhance its asset records and systems. Since this was first highlighted considerable work has been undertaken to make improvements including the requirement in 2011/12 to separately identify Heritage Assets, and the progress made acknowledged by the Audit Commission. There remains scope for further improvements, particularly with regard to Infrastructure Assets for which work is being undertaken with the Technical Services Department.

LETTER OF REPRESENTATION

2.14 The Letter has to be agreed by this Committee and a draft Letter of Representation is included as an Appendix to this report. This may be subject to change following the outcome of the further work and any update to this meeting by the District Auditor referred to in the Executive Summary.

ANNUAL GOVERNANCE STATEMENT (AGS)

2.15 This Statement is the subject of a separate report to this Committee and, although not required to be included in the Statement of Accounts, is included as it shows how the Council has ensured the effectiveness of its systems for ensuring that it operates legally and that public money is properly used and accounted for.

2.16 Committee is advised that the previously agreed AGS has been amended to better reflect the position of the Council as at September 2012 given external reports received since March 2012 and the progress made with regard to the Wirral Improvement Plan which was agreed at Cabinet on 6 September 2012. The agreed AGS for 2011/12 will be incorporated within the Statement of Accounts 2011/12 to be published by 30 September.

3.0 RELEVANT RISKS

3.1 The District Auditor has identified a number of concerns in his report. If not addressed by the Council then there are potential risks that the Council will not be able to meet its statutory requirements in respect of the Statement of Accounts. There are also concerns relating to the Annual Governance Statement and Value for money.

4.0 OTHER OPTIONS CONSIDERED

4.1 The Statement of Accounts has to be produced in accordance with statutory guidance and the Statement is then subject to review by the appointed Auditor.

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising directly from this report.

7.0 RESOURCE IMPLICATIONS

7.1 The amendments to the Statement of Accounts 2011/12 have resulted in an increase of £0.3 million in the level of the General Fund balance and a corresponding reduction in the level of provisions compared to that reported to Cabinet on 21 June 2012.

7.2 The Annual Governance Report previously made reference to the adequacy of the level of staffing resources within the Financial Services Division. Whilst actions were taken to ensure the Accounts for 2011/12 were successfully completed, and to a better standard than in previous years, issues do remain about the capacity within the Division.

7.3 There are no IT or asset implications arising from this report.

8.0 LEGAL IMPLICATIONS

8.1 It is a legal requirement to publish the Statement of Accounts by 30 September 2012.

9.0 EQUALITIES IMPLICATIONS

9.1 There are no equality implications arising directly from the production of the Statement of Accounts so an Equality Impact Assessment (EIA) is not required. If requested then arrangements can be made to provide the Accounts in both different languages and formats.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 RECOMMENDATIONS

12.1 That Committee consider the Annual Governance Report presented by the District Auditor noting the actions taken over the amendments to the Statement of Accounts as detailed in section 2 of this report.

12.2 That Committee approve the Letter of Representation (Appended to this report) on behalf of the Council.

12.3 That Committee agree the action plan within the Annual Governance Report (as updated in the Appendix to this report).

12.4 That subject to the above, Committee approve the Statement of Accounts for 2011/12.

13.0 REASON FOR RECOMMENDATIONS

13.1 Audit & Risk Management Committee has responsibility for approving the Statement of Accounts on behalf of the Council which is a requirement under the Accounts and Audit Regulations 2003, as amended in 2011.

REPORT AUTHOR: Tom Sault
Designation Acting Director of Finance
Telephone 0151 666 3407
Email tomsault@wirral.gov.uk

APPENDIICES

Letter of Representation.
Annual Governance Report 2011/12 Action Plan.
Statement of Accounts 2011/12.

BACKGROUND PAPERS

Annual Governance Report for Wirral Council issued by the Audit Commission September 2012.

REFERENCE MATERIAL / SUBJECT HISTORY

Council Meeting	Date
Audit & Risk Management Committee Audit Commission Annual Governance Report – - Merseyside Pension Fund - Merseyside Pension Fund Accounts 2010/11 Audit Commission Annual Governance Report – - Wirral Council - Statement of Accounts 2010/11	28 September 2011
Pensions Committee Audit Commission Annual Governance Report – - Merseyside Pension Fund - Merseyside Pension Fund Accounts 2011/12	18 September 2012

WIRRAL

Finance Department

Ian Coleman, BSc, CPFA
Director of Finance

PO Box No 2,
Treasury Building,
Cleveland Street,
Birkenhead,
Wirral,
CH41 6BU.

to Michael Thomas,
District Auditor,
Audit Commission,
2nd Floor,
Aspinall House,
Aspinall Close,
Middlebrook,
Bolton,
BL6 6QQ.

date To be after Audit Committee

your ref
my ref FA/TWS
service Finance
tel 0151 666 3407 Please ask for Tom Sault
email tomsault@wirral.gov.uk

Dear Sir,

Wirral Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Wirral Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice for Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effect on the financial statements of the uncorrected misstatement relate to the 2010/11 financial year. This misstatement has been previously discussed with those charged with governance within the Council and the reasons for not correcting this item are as follows:

The deficit on the Revaluation of Property, Plant and Equipment assets line in the Consolidated Income & Expenditure Statement – in 2010/11 the balance remaining on this line included £6 million relating to the treatment of capital grants for which no amendments were made to the 2010/11 accounts. This was due to the complex nature of this activity and that this was not considered to be a material item. This is explained in note 49 to the Financial Statements. Action has been taken in 2011/12 to correctly account for capital grants and a reoccurrence of this item has not taken place.

I also confirm that not correcting the misstatement has had no impact upon the 2011/12 financial year and no impact upon the level of balances, reserves or provisions of the Council at 31 March 2012.

Supporting records

I have made available to you all relevant information and access to persons within the Council for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Council.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware.

Irregularities

I acknowledge my responsibility for the design and implementation and maintenance of internal control systems to prevent and detect fraud or error.

I also confirm that I have disclosed:

a) my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;

b) my knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others; and

c) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Other than the breach of regulations identified in respect of the Merseyside Pension Fund, transactions and events have been carried out in accordance with the law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

For the accounting estimate of historical infrastructure asset values, I confirm:

a) the appropriateness of the measurement method, including related assumptions and models, the consistency in application of the method;

b) the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council, where relevant to the accounting estimates and disclosures;

c) the disclosures relating to the accounting estimate are complete and appropriate under the Code; and

d) that no subsequent events requires the Council to adjust the accounting estimate and related disclosures included in the financial statements.

Use of experts

The Council has used experts in specific areas to assist in the preparation of the Statement of Accounts, and discussed and disclosed these to you during the audit.

Financial guarantees

I confirm that the Council has given no financial guarantees in the financial year to 31 March 2012.

Finance leases – Income

The Council believes that rental income from its properties held under finance lease arrangements is not impaired. This reflects either the past payment of rents or the judgement that a lease in default at a new development such as New Brighton would be re-assigned.

Related party transactions

I confirm that I have disclosed the identity of Wirral Council related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Wirral Council

I confirm that this letter was agreed by the Audit and Risk Management Committee of Wirral Council on 19 September 2012.

Tom Sault
Acting Director of Finance

AUDIT COMMISSION

ANNUAL GOVERNANCE REPORT 2011/12

ACTION PLAN

Recommendations

Recommendation 1

Improve controls for property plant and equipment and ensure infrastructure asset records are sufficient for the 2012/13 reporting requirements.

Responsibility	Reg Huyton (Financial Services) with Asset Management and Technical Services
Priority	High
Date	June 2013
Comments	Plant and equipment records continue to be enhanced. The Council's Valuers in 2011/12 recorded specific site visits to verify existence and impairment of properties. This practice will continue in future years. Infrastructure has seen a working group established within Technical services Department in seeking to deliver the requirements.

Recommendation 2

Ensure weaknesses in the application and adherence to the procedures for the authorisation controls in the accounts payable system are addressed.

Responsibility	Ray Williams (Corporate Procurement)
Priority	High
Date	December 2012
Comments	The Wirral Improvement Plan includes a review of procurement. Procurement toolkit and training tin place and controls increased and will be enhanced when the system is upgraded, Specific actions in place to inform all affected staff of processes, reports to highlight non-compliance and Internal Audit review.

Recommendation 3

Strengthen segregation of duties and authorisation processes for journals.

Responsibility	Jenny Spick (Financial Services)
Priority	Low
Date	August 2012
Comments	A new on-line journal authorisation process, with segregation of duties, was implemented in August 2012.

Recommendation 4	
Ensure all officers and members complete declarations in respect of related party transactions.	
Responsibility	Reg Huyton (Financial Services) with Legal Services
Priority	Medium
Date	June 2013
Comments	Always seek to ensure that declarations are returned.

Recommendation 5	
Revise the Annual Governance Statement (AGS) to ensure it: ■ reflects compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; ■ is consistent with other information on governance that is available to the Council.	
Responsibility	Tom Sault (Finance)
Priority	High
Date	September 2012
Comments	An updated AGS has been prepared and reported to Audit & Risk Management Committee 19 September 2012.

Recommendation 6	
Ensure the weaknesses identified in the Highways and Engineering Services report in the public interest are addressed and the Council's response as required by the Audit Commission Act 1998 is completed as a matter of urgency.	
Responsibility	Graham Burgess (Chief Executive)
Priority	High
Date	October 2012
Comments	The Improvement Plan (Cabinet 6 September) includes actions to address the issues raised in this, and other reports. The response to the Audit Commission is being reported to Cabinet in October 2012.

Recommendation 7	
Ensure the weakness identified in respect of financial resilience, securing economy efficiency and effectiveness and proper arrangements are addressed.	
Responsibility	Peter Timmins (Interim Director of Finance)
Priority	High
Date	March 2013
Comments	The Improvement Plan (Cabinet 6 September) includes actions to address the weaknesses identified in respect of the Corporate Plan and Performance and Financial Management.

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WIRRAL

Statement of Accounts 2011/12

These statements demonstrate the financial performance of Wirral Council for the financial year ending 31 March 2012

28 September 2012

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CONTENTS

EXPLANATORY FOREWORD BY THE ACTING DIRECTOR OF FINANCE AND SECTION 151 OFFICER

1. INTRODUCTION

1.1 The Council must prepare and publish a Statement of Accounts each year. The following pages include the Accounts for the year ended 31 March 2012. The purpose of this foreword is to provide an explanation of the Council's overall financial position, including the main influences on the accounts, and to assist in the understanding of the accounting statements.

2. ABOUT THE STATEMENT OF ACCOUNTS

2.1 The Statement of Accounts demonstrates the financial performance of the Council for the year-ended 31 March 2012 and shows the financial position at the end of that period. The Statement has been prepared and presented in accordance with prescribed guidance (the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12).

2.2 As far as possible plain language has been used throughout this publication. As technical language is required in some areas a definition of financial terms has been included. A Summary of Accounts, highlighting the main information contained within the Statement, is also available and is published on the Council website at www.wirral.gov.uk.

2.3 A brief description of the main statements and areas covered:-

- Statement of Responsibilities sets out the responsibilities of the Council and of the Acting Director of Finance and Section 151 Officer.
- Annual Governance Statement shows how the Council has ensured the effectiveness of systems for ensuring it operates legally and that public money is properly used and accounted for.
- Main Financial Statements comprise four key statements:-
  Movement in Reserves Statement shows the movement on the different reserves that the Council holds.
  Comprehensive Income and Expenditure Statement shows all income and expenditure for the Council.
  Balance Sheet shows the financial standing of the Council at 31 March 2012 detailing all assets and liabilities.
  Cash Flow Statement shows the inflows and outflows of cash arising from transactions with other parties.
- Notes to the statements provide further detail and explanation of the items contained within the Main Financial Statements.
- The Collection Fund and notes cover the Council Tax and Non-Domestic Rates collected and paid to the precepting authorities and the national Non-Domestic Rate pool.
- Pension Fund covers the financial position of the Merseyside Pension Fund which is managed by Wirral Council.
- Glossary of Financial Terms explains the technical terms used.

3. CHANGES IN ACCOUNTING POLICIES IN 2011/12

3.1 The Statement of Accounts has been prepared and presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) issued by the Chartered institute of Public Finance and Accountancy (CIPFA).

3.2 After the significant changes to the 2010/11 Accounts with the implementation of International Financial Reporting Standards (IFRS) the Statement of Accounts 2011/12 incorporates one main change. The Council was required to amend its accounting policy for heritage assets and recognise them at valuation. Notes 14 and 50 provide further details of the accounting changes which do not impact upon the level of spend and the Council Tax.

4. REVIEW OF THE FINANCIAL YEAR

4.1 REVENUE EXPENDITURE AND INCOME

4.1.1 The spending on services provided to the people of Wirral is met from Government Grants and the local taxpayer through the Council Tax. In 2011/12 there was no increase in Council Tax from 2010/11 and revenue spending was paid for from a combination of Government Grants, Council Tax and other income.

Summary of expenditure

4.1.2 In March 2011 the Council agreed a net expenditure budget of £302 million for 2011/12. The table shows how this became the revised budget and how this compares to the actual expenditure for the year.

	Budget £ million	Actual £ million	Variation £ million
Spend			
Service expenditure	302.0	302.0	-
Adult Social Services	+4.0	+4.0	-
Other Services	+1.1	+1.1	-
EVR / VS Funded in 2011/12	-4.4	-4.4	-
Departmental variations	+2.0	-3.7	-5.7
Council Tax Reimbursement	-	+4.0	+4.0
Total spend	**304.7**	**303.0**	**-1.7**

Funded by			
Government Grants/Council Tax	295.0	295.0	-
Use Of Balances	9.7	8.0	-1.7
Total Income	**304.7**	**303.0**	**-1.7**

4.1.3 The financial position is regularly monitored, particularly for those areas most prone to variation and, whilst pressures were experienced during the year, actions were taken to address these issues which resulted in the net underspend, and increase in balances, of £1.7 million.

- Adult Social Services were allocated additional resources of £4 million for the re-provision of services and for the retention of Fernleigh.
- The Early Voluntary Retirement / Voluntary Severance scheme costs were funded in 2010/11 when they were originally budgeted for in 2011/12.
- Adult Social Services overspent by £5.9 million, primarily on care services.
- One-off gains from treasury management activities realised £3.7 million.
- Further improvements in the management of Housing and Council Tax benefit saved £2.7 million in the year.
- There was an unused Efficiency Investment Budget of £3.5 million.
- The requirement to include the Council Tax reimbursement for 2012/13 in the 2011/12 accounts required £4 million to be provided for in the accounts.

General Fund Balances

4.1.4 At the end of the year there was £20.8 million in General Fund balances with the main contributions being from:-

- Housing Benefit reserves and provisions of £5 million as a result of improvements in processing and recovery of grant from Government.
- Working Neighbourhoods Fund reserves and provisions of £3.3 million.
- £2.7 million set aside for Early Voluntary Retirement / Voluntary Severance funding as the Government gave permission to treat as capital spend, statutory redundancy costs.

4.1.5 The Budget for 2012/13 included the use of £9.6 million of balances resulting in a balance of £8.8 million at 31 March 2013. With the Council Tax Reimbursement funded in 2011/12 the projected balance is now £14.7 million. A minimum of £6 million represents a prudent level of General Fund balances consistent with sound financial management.

Financial Statements

4.1.6 The Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement show the financial performance and the net spend charged against Council Tax.

4.1.7 The table shows how the gross expenditure was distributed across services in 2011/12 in accordance with the Service Reporting Code Of Practice analysis.

Expenditure	**£000**	**%**
Service		
Central services to the public	43,715	5
Cultural and related services	44,612	6
Planning services	15,565	2
Environmental and regulatory services	28,756	4
Education and children’s services	373,355	47
Highways and transport services	19,897	2
Other housing services	153,571	19
Adult social care	118,488	15
Corporate and democratic core	5,559	1
Non distributed costs	(2,395)	(1)
Cost of Services	**801,123**	**100**
Other operating expenditure	106,706	
Financing and investment	71,788	
Provision of Services	**979,617**	

4.1.8 The table shows how the gross expenditure was funded in 2011/12:-

Funding	**£000**	**%**
Specific Government Grants	426,395	47
General Government Grants	187,511	21
Council Tax	132,528	15
Fees and Charges	109,064	12
Financing and Investment Income	48,518	5
Provision of Services	**904,016**	**100**

4.1.9 The Specific Grants include £206 million for the Dedicated Schools Grant which is paid directly to the Council and £166 million in respect of Housing and Council Tax Benefits. The General Grants include the main Government funding being the Revenue Support Grant. During the last year there have been further reductions in the scale of Government support with both revenue and capital grants reduced.

4.2 CAPITAL EXPENDITURE AND INCOME

4.2.1 During 2011/12 almost £47 million was spent on capital projects including the acquisition and improvement of assets and infrastructure. The spending incurred by Department and the funding is shown below.

Department	**Spend**	**%**
	£000	
Adult Social Services	928	2
Children & Young People	22,090	47
Finance	4,164	9
Law, HR & Asset Management	2,930	6
Regeneration, Housing & Planning	7,104	16
Technical Services	9,396	20
Total	**46,612**	**100**

4.2.2 The largest project was the improvement works to the Bidston Viaduct with the Council making a contribution towards this largely Government funded scheme. Within Children and Young People the £12 million Birkenhead High School for Girls Academy is progressing well. Over £5 million was spent on Pensby Primary School which completed in May 2012 with the works at Cathcart Street Primary School and Woodlands Primary School completing early in 2012/13.

4.2.3 Under Finance the main item is the spending on statutory redundancy payments which the Government gave permission for the Council to treat as capital spending in 2011/12.

4.2.4 Investment into regeneration continues with this being targeted to the former Housing Market Renewal areas in Birkenhead and Wallasey and supported by Government grant. Continuing into future years the commitments are in excess of £5 million.

4.2.5 The Council continues to make improvements to the highways infrastructure with works on highways, bridges and road safety comprising the investment under Technical Services.

Source	**Funding**	**%**
	£000	
Borrowing	17,585	38
Capital Receipts	3,000	6
Revenue, Reserves & Contributions	1,663	4
Grants	24,364	52
Total	**46,612**	**100**

4.2.6 The main source of funding came from grants allocated by Central Government for specific schemes or projects and primarily investment in schools. In 2011/12 over £24 million of grants have been, or are expected to be, received to fund the total spend of £47 million with the balance met from a combination of borrowing and capital receipts generated from the sale of surplus assets.

4.3 BALANCE SHEET

4.3.1 The Balance Sheet at 31 March 2012 shows a net asset position of £83 million. The net worth of the Balance Sheet excluding the Net Pensions Liability is a net asset position of £478 million.

4.3.2 Assets and Investments

As part of the rolling programme of valuations a further series of assets were revalued during the year. In total the Council had an asset portfolio valued at £647 million at 31 March 2012. The majority of this related to land and buildings which accounts for £446 million with infrastructure assets, including roads, included at £104 million, whilst heritage assets are now separately identified. The asset valuation is affected by the requirement to transfer school assets to Academies when they become independent of the Council for no financial return.

Total investments at 31 March 2012 were £102 million with the majority of investments being on a short term basis with financial institutions. Throughout 2011/12, as in previous years, the over-riding approach was one of security and liquidity with the diminution in investment return being the acceptable risk / reward consequence. The investment income during the year totalled £2.3 million with an average rate of return of 0.9%.

4.3.3 Liabilities and Borrowing

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

In managing debt the aims are to reduce the overall exposure to interest rate movements, to lower long-term interest charges paid and smooth the maturity profile without compromising longer-term stability. Debt rescheduling has become more challenging and places greater emphasis on the timing and type of new borrowing. No debt rescheduling took place in 2011/12.

At 31 March 2012 the long term debt totalled £244 million. This was with financial institutions and the Public Works Loans Board being spread over a range of maturity dates. This also includes the debt of the former Merseyside County Council which Wirral manages on behalf of the other Local Authorities and agencies.

4.3.4 Retirement Benefits

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

The actuaries engaged by the Council have estimated the underlying long term commitment to pay retirement benefits to be £395 million at 31 March 2012, which is an increase of £60 million from 31 March 2011. This has arisen due to the worse than expected performance of the financial markets, both nationally and globally, and this is expanded upon in the Merseyside Pension Fund Accounts and Annual Report.

The recognition of this liability in the accounts has a substantial effect on the net worth of the Council and it is important to note that this change reflects the actuarial valuations and is not an immediate demand upon the Council’s resources. The payments made by the Council to the Pension Fund are reviewed every three years as part of the triennial revaluation of the Pension Fund. An investment strategy is then determined which aims to recover the deficit over a stated period (presently 25 years).

The liability for teachers' discretionary added year payments rests with the Council and under scheme regulations is funded on a "pay as you go" basis with annual payments to retired teachers.

4.3.5 Reserves

Reserves are reported as usable or unusable. Usable reserves may be used to support services, subject to any statutory limitations on their use such as for the Capital Receipts Reserve which can only be used to support capital expenditure or repay debt. Unusable reserves are not available to fund services and include the Pensions Reserve which reflects the changes in actuarial gains and losses (see note on Retirement Benefits) and the Capital Adjustment Account which includes assets written-off on disposal or sale and includes the reduction in assets with schools transferring to Academies as referred to under Assets and Investments.

The Council seeks to maintain a level of General Fund balance sufficient to meet any unforeseen events. £6 million is the minimum level based upon an assessment of the risks involved in managing the overall budget and recent experiences in terms of spending compared to the budgets allocated. This General Fund balance will vary as a result of the financial decisions of the Council. When setting the annual budget sums in excess of the prudent level can be, and are, used to help provide for services.

The usable reserves are regularly reviewed to assess whether they are adequate for the purpose intended and whether the sums involved are still required. At 31 March 2012 the major usable reserves were in respect of School balances, Housing Benefit, Working Neighbourhoods Fund and Debt Restructuring and Financing. The former are only available for use by the schools.

4.4 GOVERNANCE

4.4.1 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.

4.4.2 The Annual Governance Statement, although no longer required as part of the Statement of Accounts, has been included. The Leader and Acting Chief Executive have agreed a series of actions to address those matters identified as requiring action to further enhance the governance arrangements.

5 FUTURE DEVELOPMENTS

5.1 The global economic situation has affected, and will continue to affect public services in a variety of ways. The Government actions to reduce the public sector deficit have been widely publicised and will continue placing further pressure upon the public sector and the financial position of the Council.

5.2 In supporting local Council taxpayers the Wirral Council Tax has not been increased for two consecutive years. Initiatives such as extending the Council Tax relief scheme to over 70's households also support local people. As in preceding years income from some Council services is affected and the ability of individuals to meet their financial obligations has been recognised and a further increase was made in the sums set aside for potential bad debts.

5.3 The coming year(s) will be as challenging as the recent past with continued pressures on all main services, particularly care services for both adults and children. In recognition of these pressures additional resources were allocated towards initiatives in Adult Social Services and Children and Young People Services.

5.4 The Medium Term Financial Strategy is reviewed annually and regularly updated through reports to Cabinet on the Projected Budgets for future years.

This includes details of the evolving Government proposals regarding the future changes to the financing of local government as well as emerging actions by the Council to address any gap between the projected spend and likely resources.

5.5 Based upon the information presently available from the Government the Council's Projected Budget for 2013/15 shows a gap between the planned spend and likely resources of over £60 million. The Council has reduced budgets by almost £60 million between 2011/13 but the scale of the reduction will lead to further difficult decisions around the provision of services and the priorities of the Council over the coming years.

5.6 Whilst looking for ways to deliver improved services, further improve efficiency and reduce waste the Council, in developing future proposals, continues to look for modern and cost effective methods of providing services and to explore alternative commissioning options.

6 CONCLUSIONS

6.1 The Statement of Accounts provides information about Council expenditure and income for the year and the overall financial position at the end of the financial year. It is a key element in reporting how Council finances have been managed whereas the Council Tax Explained booklet issued with the Council Tax demands at the beginning of each year sets out the plans for the year.

6.2 The Council continues to strive to promote and enhance all aspects of financial management. The future promises to be as challenging as the recent past and the Council retains a sound financial base, including the General Fund balance plus the specific provisions and reserves, from which to respond to the challenges.

TOM SAULT
ACTING DIRECTOR OF FINANCE AND SECTION 151 OFFICER
WIRRAL COUNCIL

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. In this Council, that officer is the Acting Director of Finance and Section 151 Officer;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Acting Director of Finance and Section 151 Officer's Responsibilities

The Acting Director of Finance and Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2012.

In preparing this Statement of Accounts the Acting Director of Finance and Section 151 Officer has:-

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

The Acting Director of Finance and Section 151 Officer has also:-

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

I certify that the Statement of Accounts provides a true and fair view of the financial position of Wirral Council at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

Tom Sault
Acting Director of Finance and Section 151 Officer
28 September 2012

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

To be included after the Financial Statements have been audited

ANNUAL GOVERNANCE STATEMENT 2011/2012

To be included following approval

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Main Financial Statements

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Ear-marked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2010	**13,758**	**93,847**	**9,047**	**29,257**	**145,909**	**(6,015)**	**139,894**
Movement in reserves during 2010/11							
Surplus or (deficit) on the provision of services	26,976	-	-	-	26,976	-	26,976
Other Comprehensive Income and Expenditure	-	-	-	-	-	40,738	40,738
Total Comprehensive Income and Expenditure	**26,976**	**-**	**-**	**-**	**26,976**	**40,738**	**67,714**
Adjustments between accounting basis and funding basis under regulations (Note 8)	(29,280)	-	(775)	1,587	(28,468)	28,468	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(2,304)**	**-**	**(775)**	**1,587**	**(1,492)**	**69,206**	**67,714**
Transfers to/from Earmarked Reserves (Note 9)	3,610	(3,610)	-	-	-	-	-
Increase/ Decrease in 2010/11	**1,306**	**(3,610)**	**(775)**	**1,587**	**(1,492)**	**69,206**	**67,714**
Balance at 31 March 2011	**15,064**	**90,237**	**8,272**	**30,844**	**144,417**	**63,191**	**207,608**

	General Fund Balance £000	Ear-marked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2011	**15,064**	**90,237**	**8,272**	**30,844**	**144,417**	**63,191**	**207,608**
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of services	(75,282)	-	-	-	(75,282)	-	(75,282)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(48,718)	(48,718)
Total Comprehensive Income and Expenditure	**(75,282)**	**-**	**-**	**-**	**(75,282)**	**(48,718)**	**(124,000)**
Adjustments between accounting basis and funding basis under regulations (Note 8)	77,046	-	965	541	**78,552**	(78,552)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**1,764**	**-**	**965**	**541**	**3,270**	**(127,270)**	**(124,000)**
Transfers to/from Earmarked Reserves (Note 9)	3,989	(3,989)	-	-	-	-	-
Increase/ Decrease in 2011/12	**5,753**	**(3,989)**	**965**	**541**	**3,270**	**(127,270)**	**(124,000)**
Balance at 31 March 2012	**20,817**	**86,248**	**9,237**	**31,385**	**147,687**	**(64,079)**	**83,608**

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.

Restated 2010/11				2011/12		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
40,637	32,771	7,866	Central services to the public	43,396	33,412	9,984
42,663	12,673	29,990	Cultural and related services	44,612	12,566	32,046
31,816	13,156	18,660	Planning services	15,565	10,516	5,049
27,834	5,133	22,701	Environmental and regulatory services	28,756	5,451	23,305
419,336	319,243	100,093	Education and children's services	373,355	289,323	84,032
21,296	7,132	14,164	Highways and transport services	19,897	6,406	13,491
157,908	138,231	19,677	Other housing services	153,571	138,998	14,573
147,666	46,242	101,424	Adult social care	118,488	38,786	79,702
7,307	1,932	5,375	Corporate and democratic core	5,559	1	5,558
(55,267)	-	(55,267)	Non distributed costs (Note 6)	(2,395)	-	(2,395)
841,196	**576,513**	**264,683**	**Cost of Services**	**800,804**	**535,459**	**265,345**
55,560	-	55,560	Other operating expenditure (Note 10)	106,706	-	106,706
77,543	50,136	27,407	Financing and investment income and expenditure (Note 11)	71,788	48,518	23,270
-	374,626	(374,626)	Taxation and non specific grant income (Note 12)	-	320,039	(320,039)
974,299	**1,001,275**	**(26,976)**	**(Surplus) or Deficit on Provision of Services**	**979,298**	**904,016**	**75,282**
		10,526	Surplus or deficit on revaluation of Property, Plant and Equipment assets (Note 49)			(16,142)
		(5,163)	Surplus on revaluation of PFI liability			24
		-	Surplus or deficit on revaluation of available for sale financial assets			472
		(46,101)	Actuarial gains/losses on pension assets / liabilities			64,364
		(40,738)	**Other Comprehensive Income and Expenditure**			**48,718**
		(67,714)	**Total Comprehensive Income and Expenditure**			**124,000**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. 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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 1 April 2010 £000	Restated 31 March 2011 £000		Notes	31 March 2012 £000
713,263	684,401	Property, Plant & Equipment	13	619,657
12,490	12,490	Heritage Assets	14	12,689
13,402	14,105	Investment Property	15	13,550
1,131	813	Intangible Assets	16	598
11,073	11,295	Long Term Investments	17	30,327
68,018	64,296	Long Term Debtors	42	62,974
819,377	**787,400**	**Long Term Assets**		**739,795**
68,711	62,603	Short Term Investments	17	37,969
2,099	2,957	Assets Held for Sale	20	1,348
278	343	Inventories		371
66,153	55,813	Short Term Debtors	18	53,642
34,558	58,372	Cash and Cash Equivalents	19	37,779
171,799	**180,088**	**Current Assets**		**131,109**
19,372	17,715	Short Term Borrowing	17	20,242
65,953	61,190	Short Term Creditors	21	52,494
2,110	16,731	Provisions	22	8,585
87,435	**95,636**	**Current Liabilities**		**81,321**
6,937	8,583	Provisions	22	5,038
261,108	256,416	Long Term Borrowing	17	244,133
493,448	396,517	Other Long Term Liabilities	40,43,45	453,990
2,354	2,728	Capital Grants Receipts in Advance	36	2,814
763,847	**664,244**	**Long Term Liabilities**		**705,975**
139,894	**207,608**	**Net Assets**		**83,608**
145,909	144,417	Usable Reserves	23	147,687
(6,015)	63,191	Unusable Reserves	24	(64,079)
139,894	**207,608**	**Total Reserves**		**83,608**

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 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.

Restated 2010/11 £000		**2011/12 £000**
(26,976)	Net (surplus) / deficit on the provision of services	75,282
(47,974)	Adjust net (surplus) / deficit on the provision of services for non cash movements (Note 25)	(92,361)
42,398	Adjust for items in the net (surplus)/ deficit on the provision of services that are investing or financing activities (Note 25)	22,379
(32,552)	Net Cash Flow From Operating Activities (Note 25)	5,300
614	Net cash flows from investing activities (Note 26)	2,066
8,124	Net cash flows from financing activities (Note 27)	13,227
(23,814)	Net increase or decrease in Cash and Cash Equivalents	20,593
(34,558)	Cash and Cash Equivalents at the beginning of the reporting period	(58,372)
(58,372)	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**(37,779)**

Notes to the

Main Financial Statements

NOTES TO THE MAIN FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

GENERAL

The accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code), as recommended by CIPFA, supported by guidance notes on the application of accounting standards. The accounting convention adopted is historical cost modified for the valuation of certain categories of non current assets and financial instruments. They are also prepared on a going concern basis. The Code of Practice specifies the principles and practices of accounting required to prepare a Statement of Accounts which provides a true and fair view of the financial position and transactions of the Council and is based on approved international accounting standards, except where these might conflict with specific statutory accounting requirements.

In accordance with the Code, the Council has adopted a number of principles to be followed in selecting accounting policies to be used and the corresponding disclosures needed to help users to understand those selected policies and how they have been implemented. In doing so, the Council tries to ensure that the policies selected are the most suitable to its particular circumstances for the purpose of providing a true and fair view of the financial position and transactions of the Council. Policies are reviewed regularly to ensure their appropriateness and are changed as necessary to maintain this position. In such cases a full disclosure will be provided.

The concepts that the Council has regard to in selecting and applying these policies are:-

The qualitative characteristics of financial information

- Understandability.
- Relevance.
- Materiality.
- Reliability.
- Comparability.

Pervasive accounting concepts

- Accruals.
- Going concern.
- Primacy of legislative requirements.

Accounting policies can be defined as the principles, bases, conventions, rules and practices applied that specify how the transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

The annual update of the Code has resulted in a number of changes in accounting policy. The main changes are detailed below:-

- Heritage Assets.
- Carbon Reduction Commitment Allowances

ACCRUALS OF INCOME AND EXPENDITURE

The Council's Statement of Accounts is kept on an accruals basis, in accordance with the Code of Practice.

To account for income and expenditure in the financial year in which goods and services are received or rendered, amounts included in the accounts are based on actual invoices received or raised after the year end. Where actual amounts are not known estimates are included based on an assessment of the value of goods and services received or rendered. Any estimates are calculated using the best available information.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. If debts are not likely to be settled, the balance of the debtor is written down and a charge made to revenue for income that may not be collected.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows set out by contract.

CAPITAL RECEIPTS

Sales of assets give rise to capital receipts if the receipt exceeds £10,000. These are recorded on an accruals basis and, if required, are divided into a reserved part (based on applicable statutory requirements) and a usable part (the balance).

Usable receipts are credited to the Capital Receipts Reserve and are available to finance capital expenditure. Reserved receipts are credited to the Capital Adjustment Account and there they reduce the Council's Capital Financing Requirement. The Secretary of State has determined that, under provisions included in the Local Government Act 2003, the Council is required to pay over to the Department for Communities and Local Government (DCLG) a proportion of receipts derived from the disposal of housing land.

CARBON REDUCTION COMMITMENT ALLOWANCES

The Council participates in the Carbon Reduction Commitment (CRC) and is required to buy and surrender allowances, retrospectively on the basis of carbon emissions. As energy is used carbon is emitted and a liability for this occurs. This has resulted in the Council being required to purchase allowances. For 2011/12 these have been measured as the best estimate of the expenditure required to meet requirements to purchase allowances. The estimated cost of the allowances is included in our service costs shown in the Comprehensive Income and Expenditure Statement and has been apportioned to services on the basis of energy consumption.

CASH AND CASH EQUIVALENTS

Cash includes all bank credit balances and overdrafts held by the Council as part of its normal cash management, including all deposit accounts accessible without notice.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents include cash in hand and deposits held at call with financial institutions.

CONTINGENT ASSETS AND LIABILITIES

These are not accrued in the accounting statements but will be disclosed by way of notes if there is a possible obligation/receipt which may require a transfer, payment or receipt of economic benefits. The note discloses the nature of the asset or liability and an estimate of its financial effect.

DEBT REDEMPTION (THE MINIMUM REVENUE PROVISION)

Debt is redeemed as and when it falls due. Under regulations issued by the Department for Communities and Local Government, the Council has approved an MRP Statement. Detailed rules placed a single duty to charge an amount of MRP which the Council considers ‘prudent’.

The Council approved the following MRP policy for the 2011/12 financial year:

(a) The Council will apply the Regulatory method in respect of supported capital expenditure and the Asset Life method in respect of unsupported capital expenditure.

(b) For prudence, when the asset life method is applied to funding of an asset with a life of greater than 25 years the Council will apply a default asset life of 25 years.

(c) MRP in respect of PFI and leases brought on to the Balance Sheet under International Financial Reporting Standards will also be calculated using the asset life method and will match the annual principal repayment for associated deferred liability.

Ex-Merseyside County Council debt is managed in a separate Fund. Interest is charged to constituent Authorities at the average rate for the Fund. Principal repayments are made on the basis of equal instalments over 38 years commencing 1 April 1988.

EMPLOYEE BENEFITS

Benefits payable during employment

Benefits payable during employment cover short-term employee benefits (other than termination benefits) that are due to be settled within 12 months of the year end. They include benefits such as salaries, paid annual leave and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of outstanding leave that staff have earned but not taken before the year end. The accrual is charged to the Service lines within the Comprehensive Income and Expenditure Accounts but then reversed out through the Movements in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

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

a) An employer's decision to terminate an employee's employment before the normal retirement date, or
b) An employee's decision to accept voluntary redundancy in exchange for those benefits. Termination benefits are often lump-sum payments.

The benefits are charged on an accruals basis to Service lines in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employments or has made an offer to encourage voluntary redundancy.

Post employment benefits

Employees of the Council are members of two separate pension schemes which provide members with defined benefits (retirement lump sums and pensions) related to pay and service. The schemes are as follows: -

- The Teachers' Pension Scheme, administered by Capita Hartshead on behalf of the Department for Education (DfE) for teachers. The arrangements for this scheme mean that liabilities for these benefits cannot be identified with the Council. The scheme is, therefore, accounted for as if it were a defined contributions scheme - no liability for future payments of benefits is recognised in the Balance Sheet and revenue accounts are charged with the employer's contributions payable to the Teachers' Pensions Agency in the year. The pension cost charged to the accounts is the contribution rate set on the basis of a notional fund.

- The Local Government Pension Scheme, administered by the Merseyside Pension Fund for all other employees. From 1 October 1987 the Council has administered this Fund on behalf of all scheduled and admitted bodies. The Council operates a defined benefit scheme and costs are charged to the Council's accounts on the basis of a three-yearly actuarial valuation. In 2011/12 the payment to the Fund was comprised of a contribution towards the past deficit and 12% of pensionable pay. The latest valuation was at 31 March 2010 and determined the contributions for the years 2011/14.

Further information on the specific accounting policies may be found in the section dealing with the Merseyside Pension Fund.

Post employment benefits are accounted for in accordance with IAS19. The principle behind this is that an organisation should account for retirement benefits when it is committed to give them, even if the actual payment will be many years in the future. This reflects the Council's commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the Pension Fund.

The liabilities of the Merseyside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to future retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of projected earnings for current employees.

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

- quoted securities - bid market value.
- unquoted securities - professional estimate.
- unitised securities - average of the bid and offer rates.
- property - market value.

The change in the net pension's liability is analysed into seven components:-

(i) current service cost - the increase in liabilities as a result of years of service earned this year, allocated to the revenue accounts of services for which the employees worked.

(ii) past service gains - the increase in liabilities arising from current year decisions where the effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Cost of Services in the Comprehensive Income and Expenditure Statement.

(iii) interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(iv) expected return on assets - the annual investment return on the Fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

(v) gains/losses on curtailments - the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited or credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

(vi) actuarial gains/losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are effected in the Pension Reserve.

(vii) contributions paid to Merseyside Pension Fund - cash paid as employer's contributions to the Pension Fund.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the Pension Fund in the year. In the Movement in Reserves Statement on the General Fund Balance this means that there is an appropriation 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 any amounts payable to the Fund but unpaid at the year-end.

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

EVENTS AFTER THE BALANCE SHEET DATE

Where a material event occurs after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date, the amounts recognised in the Statement of Accounts are adjusted to reflect this.

Where a material event occurs after the Balance Sheet date, that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted to reflect this

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts are authorised for issue, which is the date they are validated by the Acting Director of Finance and Section 151 Officer.

EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

Exceptional items are, where appropriate, included in the cost of services to which they relate in order to give a fair representation of the accounts.

Material adjustments applicable to prior years arising from changes in accounting policy or from 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. If there is a material effect on the outturn for the preceding period this is disclosed where practicable.

FINANCIAL INSTRUMENTS

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

Initial Recognition

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

Trade receivables and payables will, in contrast, only be recognised when the goods and services have actually been delivered or received.

Initial Measurement

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

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised costs. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument.

Financial Assets

Financial Assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at amortised costs. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most loans the Council has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year. Where assets are identified as impaired because of a likelihood arising from a past event that payment due under the contract will not be made, the asset is written down and a charge is made to the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

Available for sale assets are initially measured and carried at fair value. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable to the Council.

Financial assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:-

- Instruments with quoted market prices – the market price.
- Other instruments with fixed or determinable payments – discounted cash flow analysis.
- Equity Share with no quoted market price – appraisal of the valuation.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the surplus or deficit on revaluation of available for sale financial assets. The exception is where an impairment loss has been incurred. These are debited to the Comprehensive Income and Expenditure Statement along with any net gains/losses for the asset accumulated in the Reserve. Where fair value cannot be measured reliably the instrument is carried at cost (less any impairment).

Instruments entered into before 1 April 2006
The Council has entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts if a provision or contingent liability note is required.

Disclosure of the nature and risk arising from Financial Instruments

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

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

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

FOREIGN CURRENCY

The Council maintains its accounts in sterling. Income and expenditure arising from transactions undertaken in foreign currency are converted into sterling at the exchange rate in operation at the date the transaction occurred.

GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. This also applies to grants in respect of revenue expenditure funded from capital under statute.

Specific revenue grants and contributions are credited to the relevant service to match the expenditure to which they relate. General revenue grants, such as Revenue Support Grant and the contribution from National Non-Domestic Rates, are made to finance the general activities of the Council and are credited to the Comprehensive Income and Expenditure Statement in the year receivable.

Grants related to the funding of capital expenditure are credited to financing and investment income and expenditure at the foot of the Comprehensive Income and Expenditure Statement when the conditions regarding their use are met. This income is reversed out in the Movement in Reserves Statement to either the Capital Adjustment Account, if the grant has been used to finance capital expenditure in the year or to the Capital Grants Unapplied Account until it is applied. Grants with conditions attached are held as receipts in advance in the Capital Grants Receipts in Advance in the Movement in Reserves Statement. The grant is credited to the Comprehensive Income and Expenditure Statement when the conditions no longer apply.

GROUP ACCOUNTS

Group Accounts are covered by IFRS 3 Business Combinations.

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. Only the Council's share of Joint Arrangements that are not entities have been included in the Statement of Accounts.

HERITAGE ASSETS

Heritage assets are assets which have historic, artistic, scientific, geophysical or environmental qualities. This group of assets are held and maintained principally because of their contribution to knowledge and culture.

This group of assets, including collections, above de minimis are recognised in the Balance Sheet wherever possible at valuation or cost. In some instances this has not been possible. The distinctive and rare nature of this group of assets can make valuations complicated, and in some cases values are not obtainable, either due to the nature of the assets or the high cost of obtaining valuations. In these cases, the assets are not included as a value on the Balance Sheet but detailed in notes to the Statement of Accounts.

The carrying amount of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment would be recognised and measured in accordance with the policies on impairment. Because the various categories of heritage assets have indeterminate lives and/or high residual values it is not considered appropriate to charge depreciation.

INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance but are identified and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

A purchased intangible asset is capitalised at cost. Internally developed intangible assets are only capitalised if there is a readily ascertainable market. They are reviewed for impairment at the end of the first full financial year following operation.

INVESTMENT PROPERTIES

The Council classifies investment properties as property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver the Council's services. Any property that is used to facilitate the delivery of services as well as earn rentals or, for capital appreciation, does not meet the definition of an investment property, is accounted for as property, plant and equipment.

An investment property is measured initially at cost. After initial recognition, investment property is measured at fair value. A gain or loss arising from a change in the fair value of investment property is recognised in the Comprehensive Income and Expenditure Statement for the period in which it arises. The fair value of investment property reflects the market conditions at the Balance Sheet date. An investment property held at fair value is not depreciated.

JOINT ARRANGEMENTS THAT ARE NOT ENTITIES (JANE)

A JANE is a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be delivering a service or carrying on a trade or business of its own.

Under a JANE the Council engages in a joint activity with another organisation, but this arrangement is not carrying out a trade or business of its own. The Council accounts for its own transactions within the arrangement, for example, income and expenditure arising within the JANE.

LEASING

Leases are classified as either finance leases or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of any legal agreement.

The Council as Lessee

Finance Lease

The Council, as lessee, recognises finance leases as assets and liabilities at amounts equal to the fair value of minimum lease payments. Minimum lease payments are apportioned between the finance charged and the reduction of the outstanding liability. The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciation policy for assets held under finance leases is consistent with the depreciation policy for owned assets.

Operating Leases

Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

The Council as Lessor

Finance Lease

The Council, as lessor, recognises assets held under finance lease as receivable at an amount equal to the net investment in the lease. The lease payment receivable is treated as repayment of principal and finance income. The finance income is calculated so as to produce a constant periodic rate of return on the net investment.

Operating Lease

Items of property, plant and equipment subject to operating leases are presented according to the nature of the asset.

Income from operating leases is recognised on a straight line basis over the lease term. Depreciation policy for depreciable leased assets is consistent with the depreciation policy for other similar assets.

Arrangements containing a lease

An arrangement comprising a transaction that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant and equipment) in return for a payment or a series of payments, may be accounted for as though the arrangement is, or contains, a lease.

Determining whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether:

a) Fulfilment of the arrangement is dependent on the use of a specific asset or assets.
b) The arrangement conveys a right to use the asset.

LOCAL TAXES

Council Tax

Council Tax debtors are shown exclusive of the proportions attributable to the major preceptors. Council Tax income for the financial year credited to the Comprehensive Income and Expenditure Statement is the accrued income for the year together with the share of the surplus/deficit on the Collection Fund at the end of the previous financial year. The difference between this amount and the Council Tax income credited to the General Fund is a reconciling amount in the Movement in Reserves Statement.

National Non-Domestic Rates

A National Non-Domestic Rates creditor represents the amount collected on behalf of the Government but not yet paid over at the Balance Sheet date. A National Non-Domestic Rates debtor represents the amount collected on behalf of the Government but overpaid at the Balance Sheet date.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-Current Assets held for sale

The Council classifies assets as non-current assets held for sale if the carrying amount is to be recovered through a sale rather than through continued use. The criteria for such a classification also includes the asset being available for immediate sale in its present condition, the sale must be highly probable, there must be a management plan to sell the asset and it is being actively marketed. The sale also has to be expected to be completed within one year from the date of classification, although there are exceptions.

Assets classified as held for sale are valued at the lower of carrying value immediately prior to classification and fair value less costs to sell where known. If assets no longer meet the criteria to be classified as held for sale, they are reclassified back to non-current assets and valued at the lower of its carrying amount before it was classified as held for sale: adjusted for depreciation, amortisation or revaluations that would have been recognised had it not been classified as held for sale, and its recoverable amount at the date of the decision not to sell.

Discontinued operations

The consequences of discontinued operations will be presented separately in the Comprehensive Income and Expenditure Statement.

To qualify as discontinued operations, activities must cease completely. Prior periods presented in the financial statements are restated for discontinued operations so that current and prior periods relate to all operations that have been discontinued by the end of the reporting period being presented.

NON-DISTRIBUTED COSTS

The definition of non-distributed costs is limited to past service costs of surplus assets, settlements, curtailments, unused IT facilities, other unrealisable assets, impairment losses and depreciation relating to specific assets and revenue costs.

OVERHEADS

In line with the Service Reporting Code of Practice 2011/12, charges or apportionments for the costs of support services are made to all users. Support service costs are allocated using the most appropriate basis available, for example, allocated on the basis of actual time spent by staff on the various services. Other bases are used to allocate computing costs which are allocated on the amount of central processing use and Service Level Agreements. Administrative Buildings are allocated on the basis of area occupied. The costs of the Corporate and Democratic core and of Non-Distributed costs are each allocated to a separate objective expenditure head and are not apportioned to other expenditure heads.

PRIVATE FINANCE INITIATIVE (PFI)

Where the Council has entered into a PFI or similar contract then the Council will recognise the asset and liability on the Balance Sheet and account for it as if it was a finance lease if:-

- this involves an operator constructing, acquiring or enhancing and then operating and managing an asset in order to provide or enable the Council to provide services to the public; and,
- the Council controls or regulates the services provided through use of the asset and has a significant residual interest in the asset.

The Council will then recognise the asset and liability on the Balance Sheet and account for it as if it was a finance lease. The remaining service element of the contract payment will be charged to revenue as incurred.

PROPERTY, PLANT AND EQUIPMENT

Recognition

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. Expenditure on the acquisition of or expenditure that adds to, and not merely maintains, the value of an existing asset, is capitalised, and classified as property, plant and equipment, provided that it yields benefits to the Council and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of property, plant and equipment that is charged directly to service revenue accounts. It does, however, include expenditure such as the acquisition of land and buildings, and the construction and enhancement of roads, buildings and other structures.

A de minimis level of £10,000 applies. The cost of any project with expenditure below £10,000 is charged to revenue rather than being capitalised.

The Council maintains a detailed asset register of all assets that it owns and recognises under finance leases and PFI contracts. The basis of valuation and depreciation for each category of asset is included in a note to the Statement of Accounts.

Measurement

Property, plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Property, plant and equipment are classified according to the Code.

The following are included in the Balance Sheet using the measurement basis:-

- Infrastructure assets and community assets are included in the Balance Sheet at historic cost net of depreciation, where appropriate.
- Other land and buildings, vehicles, plant and equipment are included at fair value.
- Property, plant and equipment under construction are held at cost.
- Surplus assets are included at fair value.

In accordance with CIPFA guidance, all assets, with the exception of infrastructure, were revalued by the end of March 2003. Qualified valuers employed within the Department of Law, HR and Asset Management, using the valuation techniques referred to above, undertook the valuation exercise. A further valuation of all assets was undertaken on the basis of a rolling programme by March 2012.

Increases in valuations are credited to the Revaluation Reserve except where they arise from the reversal of an impairment or revaluation loss previously charged to the surplus or deficit on the provision of services.

Revaluation gains are depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost. This amount is transferred each year from the Revaluation Reserve to the Capital Adjustment Account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date when it came into existence. Gains arising before that date have been consolidated in the Capital Adjustment Account.

Assets are recognised into components for depreciation purposes when the component has a significant cost compared to the total cost of the item and a different useful life to the remainder of the asset. Enhancement expenditure requires the de-recognition of the component replaced or restored, and the new component reflected in the carrying amount even where parts of an asset were not previously recognised as a separate component.

The Council does not capitalise borrowing costs where it is incurred during the period the asset is under construction.

Impairment

The value of each category of assets is reviewed at the end of each reporting period to assess whether there is any evidence of impairment loss. This would arise, for example, from a significant decline in the asset's market value, evidence of obsolescence or physical damage, a change in the regulatory environment within which the Council operates or a commitment to undertake a significant re-organisation. All impairment is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess being charged directly to the service.

The reversal of both impairments and revaluation losses made to services cannot exceed the carrying amount that would have been determined / net off amortisation or depreciation / had no impairment or revaluation loss been recognised for the asset in prior years. The reversal of an impairment loss is recognised in the circumstance that the increase in value is mirrored by the reversal of the event that caused the original impairment to be recognised. Impairment is also charged where there has been expenditure that has not resulted in any upward revaluations.

Depreciation

Depreciation is charged on all Property, Plant and Equipment assets with a finite useful life apart from non-depreciable land, community assets and assets that are not yet available for use (i.e. under construction). It is calculated on the amount at which the asset is included in the Balance Sheet less an estimate for its residual value.

Revaluation gains are also depreciated with an amount equal to the difference between current values depreciated charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

No assets are revalued immediately prior to disposal unless legislation requires/allows the Council to do so.

Amounts in excess of £10,000 are classified as capital receipts. Such receipts from disposals are accounted for on an accruals basis and credited to the Capital Receipts Reserve. A proportion of receipts relating to housing disposals are paid over to Central Government as a 'housing pooled capital receipt'. This is charged to the Net Operating Cost section of the Comprehensive Income and Expenditure Statement and the same amount is appropriated from the Usable Capital Receipts Reserve and credited to Movement in Reserves Statement.

Charges to Revenue for Property, Plant and Equipment

All general fund service revenue accounts, including support services and trading accounts, are charged with the following amounts to record the real cost of all assets used in the provision of services:-

- Depreciation attributable to the assets used by the relevant service.
- Impairment/revaluation losses attributable to the clear consumption of economic benefits on non-current assets used by the service.
- Amortisation of intangible assets attributable to the service.

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

PROVISIONS

The Council sets aside provisions for specific future expenses that are likely or certain to be incurred but the amount and timing of which cannot yet be determined accurately. They are only made where there is a present obligation based on a past event, it is probable that a transfer of economic benefit will occur and a reliable estimate can be made of the obligation.

Provisions are charged to an appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation. When payments for expenditure are incurred to which the provision relates they are charged directly to the provision. They are reviewed at the Balance Sheet date and adjusted as necessary to reflect the current best estimate.

The principal provisions relate to bad debts and insurance. The former have been deducted from debtors in the Balance Sheet, rather than being shown in provisions. As part of compliance with IFRS 7, "Financial Instruments: Disclosure", amounts shown as due from debtors are individually or collectively (for debts that are not significant) reviewed for impairment. Any known uncollectable debts will be written off to the appropriate service account. The insurance provision relates to outstanding liability claims. The figure is the sum indicated by actuaries, updated by an internal assessment, as being required to fund claims for years up to and including 2011/12.

REPURCHASE OF BORROWING

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the period during which the repurchase or early settlement is made.

Where repurchase has taken place as part of a restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, the premiums or discounts can respectively be deducted from or added to the amortised cost of the new or modified loan. The write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. If the repurchase has been determined as substantially different, the premiums or discounts are immediately fully written-off to revenue.

For premiums and discounts that have been charged to the Comprehensive Income and Expenditure Statement, Government regulations allow for the impact on the General Fund balances to be spread over future years with an offset through a transfer to the Financial Instrument Adjustment Account shown within the Movement in Reserves Statement.

Balances held in the Financial Instrument Adjustment Account will be written-off to revenue in accordance with the Government regulations.

RESERVES

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves. Reserves are an accumulation of previous years' surpluses, deficits and transfers and are categorised as either "Usable" or "Unusable". Reserves include earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management. Reserves are created by appropriating amounts through the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the cost of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The Usable reserves held at 31 March 2012 include:-

- General Fund.
- Earmarked Reserves.
- Capital Receipts Reserve.
- Capital Grants Unapplied.

The Unusable reserves include:-

- Revaluation Reserve.
- Available for Sale Financial Instrument Reserve.
- Pension Reserve.
- Capital Adjustment Reserve.
- Financial Instrument Adjustment Account.
- Collection Fund Adjustment Account.
- Short Term Accumulating Compensated Absences Account.

Usable reserves are those the Council may use to fund either revenue or capital expenditure. Unusable reserves are kept to manage the accounting process and they do not represent usable resources for the Council.

An estimation technique applies to the Insurance Fund Liability Reserve which is similar to that referred to in the section on provisions.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Revenue expenditure funded from capital under statute represents expenditure that may be capitalised but does not result in the creation of an asset. It is amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the Council. Consequently, these items are normally written off as expenditure to the relevant service revenue account in the year of payment. If financed from existing capital resources or borrowing, a transfer to the Capital Adjustment Account from the Movement in Reserves Statement reverses out the amounts charged to the Comprehensive Income and Expenditure Statement so that there is no impact on the level of Council Tax.

VALUE ADDED TAX (VAT)

Income and expenditure excludes any amounts related to VAT, as VAT collected is payable to HM Revenue and Customs and VAT paid is recoverable from them. VAT is included in the Comprehensive Income and Expenditure Statement only if it is irrecoverable.

The Glossary of Financial Terms provides an explanation of technical terms and abbreviations.

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

For 2011/12 the only change not adopted relates to IFRS 7 Financial Instruments: Disclosures (transfer of financial assets). The impact of this amendment will be reported in the 2012/13 accounts and will not have a material or significant effect on the Council’s financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The following are critical judgements that have been made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the Statement of Accounts:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The treatment of schools in the Wirral area that are Government funded but not under the direction of the Local Education Authority is currently under review by CIPFA. The Council has determined that there is not yet sufficient guidance on the treatment of the assets in the Balance Sheet. These assets, which are in excess of £50 million, are not included in the Statement of Accounts.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £17.599 million. However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pensions liability had increased by £60.154 million. This incease includes: • a decreased actuarial valuation of scheme assets of £63.205 million; • increased pension costs recognised for the scheme of £28.081 million • employer contributions actually paid of £31.132 million.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.5 million for every year that useful lives had to be reduced. Over a period of 5 years (before the next valuation takes place) this could result in an error of £2.1 million - this is not material.
Leases	Within the Council departments and schools a number of leases have been identified. In determining their fair value a number of assumptions have been made about their values with some being determined from the cost of similar assets or rental income.	As the total depreciated value of leases is £3 million the effect of the estimation is not material.

This list does not include assets and liabilities that have recently observed market price.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

For 2011/12 three Council schools have become Academies. This is treated as a loss on disposal of a non-current asset in the Comprehensive Income and Expenditure Account and amount to in excess of £30 million.

For 2010/11 items in the Comprehensive Income and Expenditure Statement that are not disclosed on the face of the Statement but are material include pension costs and curtailments within Non Distributed costs line. These two items amount to a credit of £58.8 million. This was a one off gain that has not been repeated in 2011/12.

6. EXCEPTIONAL ITEMS

Exceptional Items are disclosed in this note as, due to their nature and for the infrequency of the events giving rise to them, this allows the readers to have a better understanding of the financial performance for the year in comparison to previous years.

For 2010/11 the accounts contained two exceptional items:

A total of £21.3 million in additional Termination Benefits (referred to in note 41) have been incurred during 2010/11.

A past service pension gain of £60.8 million is included within the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement. This follows the Chancellor of the Exchequer's June 2010 Budget announcement to changes in public sector pension arrangements. Future pension increases will be based on the anticipated lower Consumer Price Index rather than on the Retail Price Index. Past service costs and curtailments form the total Non- Distributed Costs total.

Non-Distributed Costs Line	**£000**
Past Service Gain	(60,849)
Curtailments	5,582
Total	**55,267**

7. EVENTS AFTER THE BALANCE SHEET DATE

The Council's cabinet on 6 September 2012 decided to utilise £7.2 million of the Working Neighbourhood Earmarked Reserve detailed in note 9, page 62, to fund services in the 2012/13 financial year.

The Code requires the disclosure of the date that the financial statements were authorised for issue and therefore the date after which events will not have been recognised in the Statement of Accounts. This date is set at 28 September 2012, in respect of the preparation of the audited Statement of Accounts for 2011/12.

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.

2010/11	Usable Reserves			Movement in Usable Reserves £000	Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Depreciation of non current assets	19,446	-	-	19,446	(19,446)
Impairment and revaluation losses of non current assets	34,701	-	-	34,701	(34,701)
Movement in market value of investment property	(2,382)	-	-	(2,382)	2,382
Amortisation of intangible assets	329	-	-	329	(329)
Capital grant and contributions applied	(40,173)	-	-	(40,173)	40,173
Revenue Expenditure Funded from Capital under Statute	4,169	-	-	4,169	(4,169)
Amount on non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10,979	-	-	10,979	(10,979)
Insertion of items not debited or credited to the CIES:					
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(9,619)	-	-	(9,619)	9,619
Statutory Repayment of Debt (Finance Lease Liabilities)	(1,242)	-	-	(1,242)	1,242
Statutory Repayment of Debt (PFI)	(1,969)	-	-	(1,969)	1,969
Capital expenditure charged against the General Fund	(192)	-	-	(192)	192
Adjustments primarily involving the Capital Grants Unapplied Account:					
Net increase after capital financing	-	-	1,587	1,587	(1,587)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and expenditure Statement	-	2,242	-	2,242	(2,242)
Use of the Capital Receipts Reserve to finance capital expenditure	-	(3,000)	-	(3,000)	3,000

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2010/11	**Usable Reserves**			**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
	General Fund Balance £000	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipt pool	17	(17)	-	-	-
Adjustments primarily involoving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year with statutory requirements	(328)	-	-	(328)	328
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(11,765)	-	-	(11,765)	11,765
Employers pension contributions and direct payments to pensioners in the year	(31,185)	-	-	(31,185)	31,185
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(815)	-	-	(815)	815
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	749	-	-	749	(749)
Total adjustments	**(29,280)**	**(775)**	**1,587**	**(28,468)**	**28,468**

2011/12	Usable Reserves			Movement in Usable Reserves £000	Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the CIES					
Depreciation of non current assets	19,876	-	-	19,876	(19,876)
Impairment and revaluation losses of non current assets	22,125	-	-	22,125	(22,125)
Movement in market value of investment property	1,056	-	-	1,056	(1,056)
Amortisation of intangible assets	322	-	-	322	(322)
Capital grant and contributions applied	(7,855)	-	-	(7,855)	7,855
Revenue Expenditure Funded from Capital under Statute (REFCUS)	17,557	-	-	17,557	(17,557)
Application of grants to fund REFCUS	(5,213)	-	-	(5,213)	5,213
Reserves applied to fund REFCUS	(1,237)	-	-	(1,237)	1,237
Income in relation to donated assets credited to the Comprehensive Income and Expenditure Statement (CIES)	(35)	-	-	(35)	35
Amount on non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	61,709	-	-	61,709	(61,709)
Insertion of items not debited or credited to the CIES				-	-
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(9,932)	-	-	(9,932)	9,932
Statutory Repayment of Debt (Finance Lease Liabilities)	(1,062)	-	-	(1,062)	1,062
Statutory Repayment of Debt (PFI)	(2,233)	-	-	(2,233)	2,233
Capital expenditure charged against the General Fund	(423)	-	-	(423)	423
Adjustments primarily involving the Capital Grants Unapplied Account				-	-
Capital grants unapplied credited to CIES	(11,837)	-	11,837	-	-
Application of grants through the Capital Adjustment Account.	-	-	(5,033)	(5,033)	5,033

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2011/12	Usable Reserves			Movement in Usable Reserves £000	Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
Application of previous year's grants to fund REFCUS	-	-	(6,263)	(6,263)	6,263
Adjustments primarily involving the Capital Receipts Reserve				-	-
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and expenditure Statement	-	3,976	-	3,976	(3,976)
Use of the Capital Receipts Reserve to finance capital expenditure	-	(3,000)	-	(3,000)	3,000
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipt pool	11	(11)	-	-	-
Adjustments primarily involoving the Financial Instruments Adjustment Account				-	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year with statutory requirements	(35)	-	-	(35)	35
Adjustments primarily involving the Pensions Reserve				-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	30,049	-	-	30,049	(30,049)
Employers pension contributions and direct payments to pensioners in the year	(34,155)	-	-	(34,155)	34,155
Adjustments primarily involving the Collection Fund Adjustment Account				-	-
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,095)	-	-	(1,095)	1,095
Adjustments primarily involving the Accumulated Absences Account				-	-
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is Different from the remuneration chargeable in the year in accordance with statutory requirements	(547)	-	-	(547)	547
Total adjustments	**77,046**	**965**	**541**	**78,552**	**(78,552)**

9. TRANSFERS TO/FROM EARMARKED RESERVES

The Council keeps a number of reserves in the Balance Sheet that have been set up to earmark funding for future spending plans. These are held for costs which are likely to be incurred but their timing is not certain and they cannot be met from annual budgets. A review of reserves was carried out as part of the 2012/13 budget setting process. The following describes each earmarked reserve where the balance is in excess of £0.25 million on either 31 March 2011 or 31 March 2012.

Earmarked Reserves	Balance at 1 April 2009 £000	Movement 2009/10 £000	Balance at 31 March 2010 £000	Movement 2010/11 £000	Balance at 31 March 2011 £000	Movement 2011/12 £000	Balance at 31 March 2012 £000
Schools Balances	9,214	(787)	8,427	3,306	11,733	34	11,767
Housing Benefit	13,995	1,300	15,295	(3,140)	12,155	(1,000)	11,155
Insurance Fund	14,074	(294)	13,780	(4,243)	9,537	98	9,635
Working Neighbourhood Fund	5,524	6,255	11,779	(1,477)	10,302	(2,343)	7,959
Debt Restructuring	7,022	919	7,941	-	7,941	-	7,941
Minimum Revenue Provision	4,400	-	4,400	-	4,400	-	4,400
Community Fund Asset Transfer	-	-	-	3,721	3,721	(420)	3,301
Intranet Development	1,683	(50)	1,633	750	2,383	778	3,161
Local Pay Review	5,490	885	6,375	(3,617)	2,758	(117)	2,641
One Stop Shop/Libraries IT Networks	373	(24)	349	1,436	1,785	334	2,119
Supporting People Programme	2,140	(508)	1,632	(81)	1,551	(46)	1,505
Cosyhomes Insulation	-	-	-	531	531	713	1,244
School Harmonisation	300	300	600	5,282	5,882	(4,641)	1,241
Stay, Work, Learn Wise	-	-	-	-	-	908	908
Schools Capital Schemes	2,387	(1,012)	1,375	(320)	1,055	(278)	777
Matching Fund	374	21	395	81	476	82	558
20 MPH Zones	-	-	-	-	-	550	550
Home Adaptations	233	-	233	333	566	(29)	537
West Wirral Schemes	-	175	175	157	332	198	530
Merseyside Information Service Termination Costs	-	-	-	500	500	-	500
ERDF Match Funding	-	-	-	-	-	500	500
Strategic Asset Review	-	866	866	(59)	807	(312)	495
Planned Preventative Maintenance	-	-	-	-	-	483	483
Heritage Fund	326	94	420	-	420	-	420
Schools Automatic Meter Readers	-	415	415	-	415	-	415
Childrens Workforce Development Council	-	-	-	-	-	399	399
Schools Contingency	369	1	370	-	370	-	370
Business Improvement Grant	-	-	-	-	-	342	342
Local Area Agreement Reward	-	380	380	(50)	330	(8)	322
Primary Care Trust Physical Activities	300	-	300	-	300	-	300
Schools Service IT	204	90	294	-	294	-	294
Schools Summer Term	280	-	280	-	280	-	280
Homeless Prevention	-	120	120	156	276	(5)	271
Connexions Partnership Pension	1,380	3,310	4,690	(4,690)	-	-	-
Other Reserves	10,420	903	11,323	(2,186)	9,137	(209)	8,928
	80,488	13,359	93,847	(3,610)	90,237	(3,989)	86,248

Schools Balances
These are earmarked for use purely by the schools. The balance consists of: -

	£000
Schools underspending	11,992
Schools overspending	(225)
Net Schools balances	11,767

Housing Benefit
There is an ongoing issue relating to the previous Housing Benefit Supporting People arrangements, the potential claw-back of subsidy against recent years and sums set-aside for the further development of integrating supporting IT systems.

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

Working Neighbourhood Fund
Working Wirral resources are used to commission activity to deliver the Investment Strategy priorities of tackling worklessness, improving skills levels and increasing enterprise, business growth and investment. The reserve represents the sums identified for the delivery of the programme which covers a number of years.

Debt Restructuring and Financing
To cover the premiums associated with the early repayment of debt, future interest rate increases and costs associated with the termination of leases.

Minimum Revenue Provision (MRP)
The Capital Finance and Accounting Regulations 2008 introduced new methods for calculating the MRP. The reserve has been established to offset any resultant increase in costs.

Community Fund Community Asset Transfer
The Community Fund grant has been allocated by Wirral Partnership Homes and this is the balance of the grant to implement the Community Fund Asset Transfer. After progress made in 2011/12, the funding is to be used by 31 March 2013.

Intranet Development
For the expansion and development of ICT services in the implementation of the programme agreed as part of the IT Strategy.

Local Pay Review
The amount identified, and set-aside, to fund the costs of implementing proposals to harmonise and simplify working arrangements as well as meeting the requirements arising from the implementation of equal pay legislation.

One Stop Shop / Libraries IT Network
To develop the Information Technology systems within the One Stop Shops and libraries as part of the provision of a more integrated service.

Supporting People Programme
Permission has been granted from the Department for Communities and Local Government (DCLG) to retain any administration and specific programme grant for use in future years. This reserve is to be spent on a number of initiatives to support people in need to live in their own homes.

Cosyhomes Insulation
To facilitate a programme of insulation in homes throughout Wirral.

Schools Harmonisation
To fund the potential costs associated with implementing Phase 2 of the Local Pay Review which relates to those employees within schools.

Stay, Work, Learn Wise
The Stay, Work, Learn Wirral Wise grant may be required to be repaid.

Schools Capital Schemes
This is for the delivery and completion of capital schemes within schools.

Matching Fund
The aim is to provide funds for any special initiatives that may arise involving grants, which will need to be matched by the Council.

20MPH Zones
This has been set up to part fund a four year programme to provide 20mph speed limits in residential areas within Wirral.

Home Adaptations
To facilitate a programme of minor adaptations to improve standards of living.

West Wirral Schemes
To support regeneration schemes in West Kirby and Hoylake. The reserve is to be used as match funding for any capital schemes developed in the future.

Merseyside Information Service Termination Costs
This has been created to cover any further potential costs from the winding up of this organisation. It will be used when the accounts for the services have been finalised.

ERDF Match Funding
The Council has applied for European Regional Development funding over a 2 year period to support its Business Support Programme, aiming to promote and support new and existing businesses with a view to consolidating and expanding economic activity. Support from the European Regional Development Fund will be dependent upon match funding of 50% from the Council.

Strategic Asset Review
Reserve established to support the implementation of the review and includes funding for Guinea Gap and capacity building activities.

Planned Preventative Maintenance
Fund held to complete a programme of planned preventative maintenance within the Law, HR and Asset Management department and at a number of libraries.

Heritage Fund
Funding for individuals, associations and communities to enhance the recording, preservation and protection of the urban, maritime and rural heritage of Wirral.

Schools Automatic Meter Readers
Reserve established to cover the running costs of installation and maintenance of automatic meter readers in Wirral schools. This initiative is to introduce meters over a three year period to assist schools in the implementation of the Carbon Reduction Commitment.

Children's Workforce Development Council
Income received in 2011/12 to fund training and supervision for newly qualified social workers. This will be used to fund the cost of training and supervising newly qualified social workers and to pay for agency cover if social workers are absent to go on training courses (Early Professional Development Scheme and Newly Qualified Social Workers Income) and will also be used to fund 2 posts (Social Work Improvement Fund).

Schools Contingency
Created to cover formula errors that would have been unknown at the time schools budgets were set. Such adjustments may result in an additional budget being allocated from this reserve.

Business Improvement Grant
Grants are awarded by a Business Support panel and are funded from a revenue budget. As at the 31 March 2012 grant awards totalling £342,010 were outstanding pending valid claims from the grantee. Such claims will be submitted and financially settled in the 2012/13 financial year.

Local Area Agreement (LAA) Reward
To fund agreed allocations of performance grant held by Wirral Council acting as the LAA accountable body. These will be paid to LAA partners in accordance with grant conditions.

Primary Care Trust – Physical Activities
Funding from the primary care trust for health related schemes. These will take place in Council sports centres and be organised by Sport Development.

Schools Service IT
The service is fully funded from schools contributions and this reserve supports the service in the event of changing demands for IT services from schools.

Schools Summer Term
To cover the cost of advisory teachers in the summer term in the event of schools not deciding to purchase services.

Homeless Prevention
The fund is used to offer loans to prevent repossessions and evictions.

10. OTHER OPERATING EXPENDITURE

2010/11 £000		2011/12 £000
44,564	Levies	44,975
17	Payments to the Government Housing Capital Receipts Pool	12
10,979	Gains / losses on the disposal of non-current assets	61,719
55,560	**Total**	**106,706**

The disposal of non current assets mainly relates to the transfer out of the Council's control of a number of schools e.g. the establishment of Academies. The Council no longer receives funding for these schools.

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11 £000		2011/12 £000
14,489	Interest payable and similar charges	14,359
17,765	Pensions interest cost and expected return on pensions assets	10,917
(1,703)	Interest receivable and similar income	(2,247)
(3,072)	Income and expenditure in relation to investment properties and changes in their fair value	477
(72)	Gains and losses on trading accounts	(236)
27,407	**Total**	**23,270**

12. TAXATION AND NON SPECIFIC GRANT INCOME

2010/11 £000		2011/12 £000
132,013	Council tax income	132,528
137,844	Non domestic rates	121,312
63,149	Non-ringfenced government grants	47,750
41,620	Capital grants and contributions	18,449
374,626	**Total**	**320,039**

13. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2011/12:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equip-ment £000	Infra-structure Assets £000	Comm-unity Assets £000	Surplus Assets £000	Assets Under Con-struction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2011	580,178	17,667	122,595	26,140	2,486	26,283	775,349
additions	10,631	1,010	8,870	510	160	7,432	28,613
revaluation increases/ (decreases) recognised in the Revaluation Reserve	3,524	2,161	-	-	244	-	5,929
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(32,211)	-	-	(5)	(333)	(89)	(32,638)
derecognition - disposals	(68,767)	(636)	-	-	(40)	(2,704)	(72,147)
assets reclassified (to)/from Held for Sale	(535)	-	-	-	446	421	332
other movements in cost or valuation	2,179	1	(93)	269	(230)	661	2,787
At 31 March 2012	**494,999**	**20,203**	**131,372**	**26,914**	**2,733**	**32,004**	**708,225**
Accumulated Depreciation and Impairment							
At 1 April 2011	56,991	9,903	24,052	-	2	-	90,948
depreciation charge	14,565	2,251	3,050	-	10	-	19,876
depreciation written out to the Revaluation Reserve	(6,307)	1,161	-	-	(2)	-	(5,148)
impairment losses /(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-

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	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equip-ment £000	Infra-structure Assets £000	Comm-unity Assets £000	Surplus Assets £000	Assets Under Con-struction £000	Total Property, Plant and Equipment £000
impairment losses /(reversals) recognised in the Surplus/Deficit on the Provision of Services	(10,431)	-	-	-	(2)	-	(10,433)
derecognition - disposals	(6,143)	(535)	-	-	-	-	(6,678)
other movements in depreciation and impairment	-	1	-	-	2	-	3
At 31 March 2012	**48,675**	**12,781**	**27,102**	**-**	**10**	**-**	**88,568**
Net Book Value							
at 31 March 2011	**523,187**	**7,764**	**98,543**	**26,140**	**2,484**	**26,283**	**684,401**
at 31 March 2012	**446,324**	**7,422**	**104,270**	**26,914**	**2,723**	**32,004**	**619,657**

The valuations at 1 April 2011 for Other Land and Buildings, and Vehicles, Plant, Furniture and Equipment have been reduced by £497,000 and £151,000 respectively to reflect the requirement to report separately on Heritage Assets.

Comparative Movements in 2010/11:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equip-ment £000	Infra-structure Assets £000	Comm-unity Assets £000	Surplus Assets £000	Assets Under Con-struction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2010	601,478	17,342	113,087	25,356	1,696	42,157	801,116
additions	24,814	1,108	9,508	634	480	7,214	43,758
revaluation increases/ (decreases) recognised in the Revaluation Reserve	(21,691)	-	-	-	378	-	(21,313)
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(30,168)	-	-		(945)	(3,526)	(34,639)
derecognition - disposals	(13,284)	(783)	-	-	(245)	-	(14,312)
assets reclassified (to)/from Held for Sale	(976)	-	-	-	-	40	(936)
other movements in cost or valuation	20,005	-	-	150	1,122	(19,602)	1,675
At 31 March 2011	**580,178**	**17,667**	**122,595**	**26,140**	**2,486**	**26,283**	**775,349**
Accumulated Depreciation and Impairment							
At 1 April 2010	58,002	8,370	21,481	-	-	-	87,853
depreciation charge	14,645	2,167	2,571	-	63	-	19,446
depreciation written out to the Revaluation Reserve	(14,460)	-	-	-	-	-	(14,460)
impairment losses /(reversals) recognised in the Revaluation Reserve	-	-	-	-	(6)	-	(6)

(Table continues on following page)

(Table continued from previous page)

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equip-ment £000	Infra-structure Assets £000	Comm-unity Assets £000	Surplus Assets £000	Assets Under Con-struction £000	Total Property, Plant and Equipment £000
impairment losses /(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
derecognition - disposals	(1,196)	(634)	-	-	(55)	-	(1,885)
derecognition - other	-	-	-	-	-	-	-
other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2011	**56,991**	**9,903**	**24,052**	**-**	**2**	**-**	**90,948**
Net Book Value							
at 31 March 2010	**543,476**	**8,972**	**91,606**	**25,356**	**1,696**	**42,157**	**713,263**
at 31 March 2011	**523,187**	**7,764**	**98,543**	**26,140**	**2,484**	**26,283**	**684,401**

Depreciation

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

Other Land and Buildings - 1-60 years
Vehicles, Plant, Furniture & Equipment – 3-40 years
Infrastructure – 10-120 years
Surplus Assets – 5 years

Land and Buildings asset lives range from 1 to 60 years which reflect the service lives of the assets as assessed by the Council’s valuers.

Capital commitments

The major contractual commitments at 31 March 2012 are:

	£000
Pensby Primary School	6,009
Birkenhead Girls Academy	3,000
The Priory	621
Overchurch Infants School	587
Leasowe Road Bridge	518
Williamson Art Gallery	367
Woodlands Primary School	278
Bidston Moss Viaduct	247
Woodchurch High 3G Pitch	238

Similar commitments at 31 March 2011 were £4.7 million

Revaluations

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

	Other Land and Buildings £000	Surplus Assets £000	Total £000
Carried at historical cost			
valued at fair value as at:			
31 March 2012	74,362	1,189	75,551
31 March 2011	35,076	80	35,156
31 March 2010	35,057	-	35,057
31 March 2009	101,516	794	102,310
31 March 2008	237,419	-	237,419
Total Cost or Valuation	**483,430**	**2,063**	**485,493**

14. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Decorative Art and Other Collections £000	Buildings £000	Civic Regalia £000	Transport £000	Fine Art £000	Total Assets £000
Cost or Valuation						
1 April 2010	3,130	937	256	427	7,740	12,490
Additions	-	-	-	-	-	-
Enhancements	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Impairment Losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-
Surplus or Deficit on the Provision of Services	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
31 March 2011	**3,130**	**937**	**256**	**427**	**7,740**	**12,490**
Cost or Valuation						
1 April 2011	3,130	937	256	427	7,740	12,490
Additions	-	-	-	-	35	35
Disposals	-	-	-	-	-	-
Revaluations	-	-	268	62	-	330
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	(116)	(10)	-	(126)
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	-	-	-	(40)	-	(40)
Depreciation	-	-	-	-	-	-
31 March 2012	**3,130**	**937**	**408**	**439**	**7,775**	**12,689**

Heritage Assets: Five-Year Summary of Transactions

	2010/11 £000	2011/12 £000
Cost of Acquisitions	**-**	**-**
Value Acquired by Donation		
Fine Art	-	35
Disposals	**-**	**-**
Impairment recognised in the period		
Civic Regalia	-	116
Transport	-	10

Although the above note should provide the analysis for a five year period, it is not practicable that this can be undertaken and therefore in accordance with the Code the information is presented for the periods 1 April 2010 onward.

Fine Art, Decorative Art and Other Collections

These collections are housed at the Williamson Art Gallery and the more important collections consist of:

Fine Art

British Watercolours – by a series of bequests and purchases, notably between 1920 and 1935 the Gallery has a significant collection of 18th and 19th century watercolour paintings and drawings by British artists.
The Liverpool School – Merseyside produced a large number of significant artists in the period 1810 to 1910 and the Liverpool School is well represented in the Williamson collections.
Philip Wilson Steer – born in Birkenhead in 1860 he became especially important in the artistic heritage of the Wirral. The Williamson now holds a collection of his work that is of national importance.
Local paintings – the Museum is virtually the only institution on Merseyside actively researching local historic and contemporary painters. Works by leading local artists are housed at the Museum.
There are over 5,000 items in the Fine Art collection, the most important of which are by Albert Joseph Moore (£200,000) and one attributed to Jan Breughel (£200,000).

Decorative Art and Other collections

The most important items are:

Several factories were producing porcelain of various types and quality in Liverpool between 1750 and 1800. The Knowles Boney collection of some 300 pieces is very comprehensive and was presented to the Museum some 55 years ago.

The collection of Della Robbia pottery forms an unrivalled addition to the history of Merseyside ceramics. Produced in Birkenhead between 1894 and 1906, items purchased in the 1920's from the founder Harold Rathbone forms the basis of this comprehensive collection.

Apart from these two important collections there is also a good collection of 18th and 19th century British ceramics.

When Lee Tapestry Works of Birkenhead closed in 1970 the Museum acquired a collection of drawings, photographs and fabric samples illustrating the work of Arthur H. Lee and Sons.

There are also collections of glass, metalwork, jewellery, furniture, maritime models, ethnography, artefacts, geology and others. In total there are over 4,700 items in these various collections.

Acquisition Policy

The Museum recognises its responsibility in acquiring additions to its collections, to ensure that care of collections, documentation arrangements and the use of collections will meet the requirements of the Accreditation Standard. It will take into account limitations on collections imposed by such factors as staffing, storage and care of collection arrangements.

The Council has determined criteria governing future acquisitions including the subject of themes, periods of time and/or geographical areas and any collections which are not subject to further acquisition. The expansion of collections is achieved by donation, bequest and purchase using the Museum's own small purchase fund and grant aid from the Friends of the Williamson Art Gallery and Wirral Museums, The Art Fund and the MLA Purchase Funds administered by the Victoria and Albert Museum and Science Museum.

Examples of how this policy translates would include the plan to develop the collection of British watercolours in perceived areas of weakness e.g. Pre-Raphaelite artists and to seek additions to the Liverpool School. In the case of the various collections of porcelain, the Liverpool collection would be expanded only for exceptional items whereas there are no plans to add to the Oriental collection.

Disposal procedure

The Museum does not undertake disposal motivated principally by financial reasons. The decision to dispose of material from the collections will be taken after full consideration of the reasons for disposal. This includes curatorial and financial reasons as well as the public benefit, the implication for the Museum's collections and collections held by museums and other organisations collecting the same material. External expert advice will be obtained and the views of stakeholders such as donors, researchers, local and source communities served by the Museum will also be sought.
A decision to dispose of a specimen or object, whether by gift, exchange, sale or destruction will only be taken acting on the advice of professional curatorial staff, if any, and not of the curator of the collection acting alone.

There were no disposals during 2010/11 or 2011/12.

Conservation and storage

The Council maintains its access to professional conservation advice through its liaison with the National Museums Liverpool and freelance conservators. There is a programme in place encompassing environmental monitoring and control in display as well as storage areas. Improvements to the heating and humidifier equipment will be undertaken as necessary based on curatorial staff and conservation advice.

Staff maintain a programme of lighting monitoring and control consistent with the preservation and maintenance of collections. The programme will continue to replace perishable and dangerous materials used in the preservation and storage of the collections. Alternative materials will be consistent with good conservation practice. A record of all conservation work undertaken will be maintained.

Exhibition and public services

The temporary and permanent exhibition policy includes specific periodic displays of all items in the collection where conditions and time to research permit. Exhibitions in non-gallery venues are also encouraged provided suitable conditions are available. Adequate interpretative facilities are ensured for permanent and temporary displays.

Subject to adequate notice and staff supervision any member of the public will be given controlled access to any stored item and related information.

Loan applications are sympathetically considered and the advice of conservation and curatorial staff will determine the feasibility of such applications.

The latest comprehensive valuation was undertaken during the 2008/09 financial year. The present Collection Management Plan suggests valuations to be reconsidered every ten years. This period is retained for the general overview, but consideration may be given to individual items in the interim, especially with regard to adjustments of attribution or identification. Valuations are based on the knowledge of the Principal Museums Officer.

Acquisitions are initially recognised at cost (where that cost is greater than £5,000) and donations are recognised at valuation.

Transport

The Council has a long term commitment towards the development of a heritage trail embracing a transport museum with particular emphasis on Wirral's heritage. The collection of some 30 assets (excluding those on loan) is housed within the Wirral Transport Museum and primarily consists of a number of buses, the oldest being a Guy Arab double decker built in 1943 and a collection of motor cycles, the oldest a 1938 Norton H.

Valuations are based on the technical expertise of the transport museum's technical custodian and reflect an insurance write-off value based on the original funding less any labour costs to restore the vehicle, coupled with the expectation of market value in an open trade related auction. The latest valuation took place in January 2012. There is no specific time frame within which revaluations must take place, however they will be undertaken at regular intervals.

At present there are no active plans to increase the size of the collection.
More information about the Wirral Transport Museum, which houses the vehicle collection, is available on the Wirral Council Website.
(Please see http://www.wirral.gov.uk/my-services/leisure-and-culture/arts-and-museums/local-museums-and-galleries/wirral-transport-museum)

Civic Regalia

The collection of civic regalia includes 28 items connected with civic functions undertaken as part of the mayoral role and civic events. It consists of mayoral badges, chains, borough maces etc. with the oldest item dated 1877. It also includes 18 items of memorabilia commemorating events and associations that are of local interest. These items are reported in the Balance Sheet at insurance valuation. The most recent valuation was undertaken in April 2012 by Mr. J. Phillips of St. George Valuations and is based on the likely cost of replacing the item valued with as near a comparable item as is available for purchase second hand. The valuation only reflects the inherent characteristics of the items and does not reflect the surrounding circumstances of the items e.g. their provenance. Revaluations are to be undertaken at a minimum of every ten years.

Buildings

There are two buildings included in the valuation of heritage assets. These are Leasowe Lighthouse, which is the oldest brick built lighthouse in the country and Bidston Hill Windmill, which was operational until 1875. Leasowe Lighthouse is supported by the Friends of Leasowe Lighthouse, which has an active series of events. (See the website www.leasowelighthouse.co.uk/cms/) Similarly there is public access to Bidston Hill Windmill, supported by the Friends of Bidston Hill. For information, please see the "What's On" section of the Wirral Council website (www.wirral.gov.uk/whats-on).

Heritage Assets not reported in the Balance Sheet

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

There are 12 SSIs which can be seen as the basic building block of site based nature/geological nature conservation legislation whereas SBIs (27 owned by the Council) are local non statutory sites. A number of these sites are already included in historic cost information within the Council's classification of Community Assets. However, because of their specific nature they only form part of an overall community asset and as such it is considered that any attempt to separately identify specific costs associated with the SSI or SBI would produce unreliable information. The decision has been taken therefore not to separately identify such assets within the Balance Sheet under the category of heritage assets.

War memorials and other monuments

There are 146 such assets that the Council owns ranging from those commemorating historic events to historic personages. No reliable cost or valuation information is available regarding these assets. Because of their diverse and very individual nature and the lack of comparable market values, the Council considers that the cost of obtaining external valuations outweighs the benefit to the reader of the accounts in obtaining such information. Consequently, these assets are not included in the Balance Sheet.

Archaeological sites

In the case of the 2 sites that are considered to be of an archaeological interest the Council does not consider that reliable cost or valuation information can be obtained because of the diverse nature of the assets and the lack of comparable market values. Consequently, any such assets are not included in the Balance Sheet.

15. INVESTMENT PROPERTIES

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.

	2010/11 £000	2011/12 £000
Rental income from investment property	715	658
Direct operating expenses arising from investment property	(25)	(79)
Net gain	690	579

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

The following table summarises the movement in the fair value of investment properties over the year:

	2010/11 £000	2011/12 £000
Balance at start of the year	13,402	14,105
Additions:		15
Disposals		(16)
Net gains / losses from fair value adjustments	2,382	(1,056)
Transfers:		
To / from Property, Plant and Equipment	(1,679)	(698)
From Assets Held for Sale	-	1,200
Balance at end of the year	14,105	13,550

16. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £322,000 charged to revenue in 2011/12 was charged to IT cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

Intangible Assets	**2010/11 £000**	**2011/12 £000**
Balance at 1 April	1,131	813
Purchases	11	107
Amortisation for the year	(329)	(322)
Balance at 31 March	**813**	**598**

17. FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS BALANCES

The financial assets and liabilities disclosed in the Balance Sheet are analysed across the following categories:

Long Term 31 Mar 2011 £000	Short Term 31 Mar 2011 £000		Long Term 31 Mar 2012 £000	Short Term 31 Mar 2012 £000
		Financial Liabilities		
256,416	17,715	Borrowings	244,133	20,242
59,571	2,081	PFI Liability	57,616	1,827
2,045	2,804	Finance Lease Liability	1,088	1,072
318,032	**22,600**	**Total Financial Liabilities**	**302,837**	**23,141**
		Financial Assets		
3,795	60,627	Loans and Receivables	22,827	36,964
7,500	1,976	Available for Sale	7,500	1,005
11,295	**62,603**	**Total Financial Assets**	**30,327**	**37,969**

The table below reflects the composition of borrowing recorded on the Balance Sheet:

Long Term 31 Mar 2011 £000	Short Term 31 Mar 2011 £000		Long Term 31 Mar 2012 £000	Short Term 31 Mar 2012 £000
		Borrowings		
259,559	14,533	Nominal Amount	247,180	17,129
-	3,182	Accrued Interest	-	3,113
(3,143)	-	EIR Adjustments	(3,047)	-
256,416	**17,715**	**Total Amortised cost**	**244,133**	**20,242**

The table below reflects the composition of investments recorded on the Balance Sheet:

Long Term 31 Mar 2011 £000	Short Term 31 Mar 2011 £000		Long Term 31 Mar 2012 £000	Short Term 31 Mar 2012 £000
		Loans and Receivables		
4,011	60,133	Nominal Amount	22,768	36,601
316	494	Accrued Interest	(412)	363
(532)	-	Impairment/ Revaluation	471	-
3,795	**60,627**	**Total Amortised Cost**	**22,827**	**36,964**
		Available for Sale		
7,500	1,499	Nominal Amount	7,500	1,000
-	477	Impairment/ Revaluation	-	5
7,500	**1,976**	**Total Fair Value**	**7,500**	**1,005**
11,295	**62,603**	**TOTAL INVESTMENTS**	**30,327**	**37,969**

GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

2011/12	Financial Liabilities	Financial Assets		
	Liabilities Measured at amortised cost £000	Loans and Receivables £000	Available for sale assets £000	Total £000
Interest expense	(14,420)			
Impairment losses		61		
Interest payable and similar charges	**(14,420)**	**61**	**-**	**(14,359)**
Interest Income		1,407	370	
Gains on derecognition		-	470	
Total Interest and Investment Income	**-**	**1,407**	**840**	**2,247**
Gains on revaluation			5	
Surplus arising on revaluation of financial assets			**5**	
Net gain/ (loss) for the year	**(14,420)**	**1,468**	**845**	

This compares with the gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments in 2010/11:

2010/11	Financial Liabilities	Financial Assets		
	Liabilities Measured at amortised cost £000	Loans and Receivables £000	Available for sale assets £000	Total £000
Interest expense	(14,495)	-	-	
Impairment losses	-	6	-	
Interest payable and similar charges	**(14,495)**	**6**	**-**	**(14,489)**
Interest Income	-	1,363	340	
Gains on derecognition	-	-	-	-
Total Interest and Investment Income	**-**	**1,363**	**340**	**1,703**
Gains on revaluation			1	
Surplus arising on revaluation of financial assets			**1**	
Net gain/ (loss) for the year	**(14,495)**	**1,369**	**341**	

FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

For each class of financial assets and financial liability, an authority 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.

The Council's borrowings are carried in the Balance Sheet at amortised cost. Investments consist of loan and receivables and available for sale financial assets. Loans and receivables are carried on the Balance Sheet at amortised cost. Available for sale assets are carried at fair value. Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price.

The Council's debt outstanding at 31 March 2012 consisted of loans from the Public Works Loan Board (PWLB), market loans from banks and loans from other public bodies. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on 31 March 2012. For the Council's market and other public bodies loans the lenders were requested to provide details of the Fair Values on each loan. Two banks responded to this request and provided details based on the estimated breakage costs of the loans. In the absence of Fair Values being provided by the remaining lenders, the Council has assessed Fair Value using the equivalent PWLB interest rates ruling on 31 March 2012.

The Council's investment portfolio at the Balance Sheet date consisted almost entirely of term deposits with Banks, call account deposits, Money Market Fund investments and a European Investment Bank (EIB) bond. The Money Market Fund investments and EIB bond are Available for Sale assets and are already shown in the Balance Sheet at fair value based on their quoted market price.

In the case of short term instruments and deferred liabilities (PFI, finance lease, etc) the Council deems the carrying amount to be a reasonable approximation of the fair value.

Carrying Amount as at 31 Mar 2011	Fair value as at 31 Mar 2011		Carrying Amount as at 31 Mar 2012	Fair value as at 31 Mar 2012
£000	£000		£000	£000
		Financial Liabilities:		
274,131	345,740	Borrowings	264,375	349,466
19,056	19,056	Trade Payables	22,990	22,990
293,187	**364,796**	**Total Financial Liabilities**	**287,365**	**372,456**
		Financial Assets:		
64,422	64,422	Loans and Receivables	59,791	59,878
8,864	8,864	Trade Receivables	14,186	14,186
73,286	**73,286**	**Total Financial Assets**	**73,977**	**74,064**

The fair value of financial liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

The fair value for financial assets at the Balance Sheet date is higher than the carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

18. DEBTORS

	31 March 2010 £000	31 March 2011 £000	31 March 2012 £000
Central government bodies	26,682	12,978	8,756
Other local authorities	5,793	4,396	778
NHS bodies	70	500	-
Collection Fund	5,255	4,988	4,044
Public corporations and trading funds	-	11	-
Other entities and individuals	28,353	32,940	40,064
Total	**66,153**	**55,813**	**53,642**

19. CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Balances classified as 'Cash Equivalents' fit the definitions of being short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents is made up of the following elements at the Balance Sheet date:

	31 March 2011 £000	31 March 2012 £000
Cash held by Authority	(3,694)	3,049
Call accounts (same day access funds)	11,716	15,000
Money Market Funds	50,350	19,730
Total Cash and Cash Equivalents	**58,372**	**37,779**

20. ASSETS HELD FOR SALE

	Current	
	2010/11 £000	2011/12 £000
Balance outstanding at start of year	2,099	2,957
Assets newly classified as held for sale	1,077	589
Revaluation gains	45	130
Impairment losses	(24)	(9)
Assets declassified as held for sale:	(70)	(2,121)
Disposals	(170)	(198)
Balance outstanding at year-end	**2,957**	**1,348**

21. CREDITORS

	31 March 2010 £000	31 March 2011 £000	31 March 2012 £000
Central government bodies	14,176	11,846	8,096
Other local authorities	463	7,059	3,428
NHS bodies	33	300	278
Public corporations and trading funds	63	90	1
Other entities and individuals	51,218	41,895	40,691
Total	**65,953**	**61,190**	**52,494**

22. PROVISIONS

The following are the main provisions made by the Council:-

Bad Debts
This provision has been deducted from the debtors figure in the Balance Sheet and therefore does not appear in the provisions total.

	Balance at 1 April 2011 £000	Movement in 2011/12 £000	Balance at 31 March 2012 £000
Council Tax	6,384	919	7,303
Housing Benefit	6,109	433	6,542
Sundry Debtors	6,489	1,133	7,622
Summons Costs	592	43	635
	19,574	**2,528**	**22,102**

Others
The provisions figure shown in the Balance Sheet comprises:-

	Balance at 1 April 2011 £000	Movement in 2011/12 £000	Balance at 31 March 2012 £000
Short Term			
Council Tax Reimbursement	-	3,990	3,990
Other	2,052	(414)	1,638
Insurance Fund	1,200	-	1,200
Working Neighbourhood Fund	4,096	(3,383)	713
Carbon Reduction Commitment	-	488	488
You Decide	66	240	306
Land Charges	569	(319)	250
EVR/Severance	8,748	(8,748)	-
	16,731	**(8,146)**	**8,585**
Long Term			
Insurance Fund	4,530	370	4,900
Other	4,053	(3,915)	138
	8,583	**(3,545)**	**5,038**

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

Council Tax Reimbursement
Council Taxpayers were notified through the Council Tax demands for 2012/13 that were sent in March 2012 of the reimbursement. This provision is to fund the reimbursement.

Working Neighbourhood Fund
There are a number of contractual commitments to schemes that the Fund supports. The provision contains the sums identified for the delivery of schemes to reduce worklessness, increase apprenticeships and award grants.

Carbon Reduction Commitment
To fund the purchase of allowances from the Government in 2012/13 which relate to 2011/12 and therefore have to be included within the 2011/12 financial year.

You Decide
You Decide funding for Area Forums. Commitments to using this allocation have been made and this provision covers the funding of the actual activities and items that the Council has committed to implement.

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

Other Provisions

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

23. USABLE RESERVES

Usable Reserve	Balance at 1 April 2011 £000	Movement £000	Balance 31 March 2012 £000	Purpose of Reserve
General Fund	15,064	5,753	20,817	Resources available to meet future running costs for services.
Earmarked General Fund Reserves	90,237	(3,989)	86,248	See note 9 for further details.
Capital Receipts Reserve	8,272	965	9,237	Contains the proceeds of fixed asset sales that are available to meet future capital investment.
Capital Grants Unapplied	30,844	541	31,385	Government Grants and contributions received in year for projects.
Total	**144,417**	**3,270**	**147,687**	

The balance on the General Fund and Earmarked General Fund Reserves is available for funding both capital and revenue expenditure. The amounts relating to balances held by schools are accounted for as reserves and are not included in the General Fund Balance. The Capital Receipts and Capital Grants are held for capital purposes.

24. UNUSABLE RESERVES

2010/11 £000		2011/12 £000
149,953	Revaluation Reserve	150,913
476	Available for Sale Financial Instruments Reserve	4
255,678	Capital Adjustment Account	183,823
-	Deferred Capital Receipts	2,678
(3,794)	Financial Instruments Adjustment Account	(3,759)
(334,820)	Pensions Reserve	(395,078)
876	Collection Fund Adjustment Account	1,971
(5,178)	Accumulated Absences Account	(4,631)
63,191	**Total Unusable Reserves**	**(64,079)**

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.

2010/11		2011/12	
£000		£000	£000
163,057	**Balance at 1 April**		**149,953**
6,075	Upward revaluation of assets	17,770	
(12,845)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of services	(6,489)	
(6,770)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**11,281**
(4,715)	Difference between fair value depreciation and historical cost depreciation	(4,492)	
(1,619)	Accumulated gains on assets sold or scrapped	(5,829)	
-	Amounts written off to the Capital Adjustment Account resulting from IFRS restatement	-	
(6,334)	**Total amount written off to the capital Adjustment Account**		**(10,321)**
149,953	**Balance at 31 March**		**150,913**

The balance at 1 April 2010 has been increased by £11.761 million to reflect the change in accounting policy following the introduction for accounting for heritage assets.

Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arsing from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains lost or disposed of and the gains are realised.

2010/11 £000		2011/12 £000
475	**Balance at 1 April**	**476**
2	Upward revaluation of investments	5
(1)	Downward revaluation of investments not charged to the Surplus/ Deficit on the Provision of Services	-
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	(477)
476	**Balance at 31 March**	**4**

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.

2010/11		2011/12	
£000		£000	£000
262,816	**Balance at 1 April**		**255,678**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(54,147)	Charges for depreciation, revaluation losses and impairment of non-current assets	(42,001)	
4,759	Historic cost adjustment on Revaluation losses on Property, Plant and Equipment	4,492	
(329)	Amortisation of intangible assets	(322)	
(4,169)	Revenue expenditure funded from capital under statute	(17,557)	
(10,979)	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	(59,858)	
(64,865)			**(115,246)**
	Capital financing applied in the year:		
3,000	Use of the Capital Receipts Reserve to finance new capital expenditure	3,000	
34,159	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	24,364	
17,994	Statutory provision for the financing of capital investment charged against the General Fund	13,204	
192	Capital expenditure charged against the General Fund and other balances	1,660	
55,345			**42,228**
2,382	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,056)	
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	35	
-	Asset Under Construction previously omitted from asset register	2,184	
2,382			**1,163**
255,678	**Balance at 31 March**		**183,823**

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.

The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. The account was also used to defer the impact of the estimated impairment on the Council's Heritable Bank investment. The Statutory Provision which allowed the deferment of impairment costs expired in 2010-11 and therefore the estimated impairment has been posted back to the General Fund Balance.

2010/11 £000		2011/12 £000
4,124	**Balance at 1 April**	**3,794**
(34)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirments	(35)
(296)	Expiry of Statutory Provision to allow the impairment of Heritable Bank investment to be deferred.	-
3,794	**Balance at 31 March**	**3,759**

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.

2010/11 £000		2011/12 £000
(423,871)	**Balance at 1 April**	(334,820)
46,101	Actuarial gains or losses on pensions assets and liabilities	(64,364)
11,765	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	(30,049)
31,185	Employer's pensions contributions and direct payments to pensioners payable in the year	34,155
(334,820)	**Balance at 31 March**	**(395,078)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11 £000		2011/12 £000
61	**Balance at 1 April**	876
815	Amount by which council tax income credited to the comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,095
876	**Balance at 31 March**	**1,971**

Accumulated Absences Account

The Accumulated Absences 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.

2010/11		2011/12	
£000		£000	£000
(4,429)	**Balance at 1 April**		(5,178)
285	Settlement or cancellation of accrual made at the end of the preceding year	1,034	
(1,034)	Amounts accrued at the end of the current year	(487)	
(749)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**547**
(5,178)	**Balance at 31 March**		**(4,631)**

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
(7,519)	Interest received	(6,148)
19,955	Interest paid	19,456
	Adjust net (surplus)/ deficit on the provision of services for non cash movements:	
(19,446)	Depreciation	(19,876)
(34,701)	Impairment	(22,125)
(329)	Amortisations of intangible assets	(322)
(2,041)	Movement in provision for bad debt	(2,529)
2,742	(Increase) / decrease in long & short term creditors	8,530
(11,394)	Increase / (decrease) in long & short term debtors	(6,950)
65	Increase / (decrease) in stock / WIP	25
11,765	Charges for retirement benefits in accordance with IAS 19	(30,049)
31,185	Actual amount paid to pension fund - charge against Council	34,155
(13,202)	Non cash items relating to the disposal of fixed assets	(65,674)
328	Non cash items relating to the disposal of investments	35
(16,267)	Movement in other provisions (additions) / utilised	11,691
2,382	Movement in the value of investment properties	(1,056)
-	Donated Assets	35
66	Collection Fund and Accumulated Absences	1,642
873	Other misc non cash movements	107
(47,974)		**(92,361)**
	Adjust for items in the net (surplus)/ deficit on the provision of services that are investing or financing activities	
-	Purchase of short-term and long-term investments	-
-	Proceeds from short-term and long-term investments	-
2,225	Proceeds from the sale of property, plant and equip., investment property and intangible assets	3,965
40,173	Grants applied to the financing of capital expenditure	18,414
-	Any other items for which the cash effects are investing or financing cash flows.	
42,398	***Net cash flow from operating activities***	**22,379**

26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2010/11 £000		**2011/12 £000**
45,875	Purchase of property, plant and equipment, investment property and intangible assets.	29,805
103,000	Purchase of short-term and long-term investments	107,100
	Other payments for investing activities	
(2,225)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(3,965)
(108,200)	Proceeds from short-term and long-term investments	(112,375)
(37,836)	Other receipts from investing activities	(18,499)
614	**Net cash flows from investing activities**	**2,066**

27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2010/11 £000		**2011/12 £000**
(10,000)	Cash receipts of short- and long-term borrowing	(5,000)
(1,367)	Other receipts from financing activities	182
3,211	Cash payments for the reduction of outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	3,295
16,280	Repayment of short- and long-term borrowing	14,750
-	Other payments for financing activities	-
8,124	**Net cash flows from financing activities**	**13,227**

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Council's Cabinet on the basis of monitoring reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- amounts charged to departments in relation to capital expenditure (depreciation for example) are reversed out through the Finance Department. In the Statement of Accounts these are reversed out through the Movement in Reserves Statement.
- Levies and reserves are treated as departmental costs

The income and expenditure by the Council department recorded in the budget reports for the year 2010/11 is as follows:

Departmental Income and Expenditure 2010/11	**Adult Social Services £000**	**Children and Young People £000**	**Corporate Services £000**	**Finance £000**	**Law, HR and Asset Manage-ment £000**	**Technical Services £000**	**Mersey-travel £000**	**Total £000**
Fees, charges and other service income	(61,317)	(85,663)	(11,731)	(46,317)	(31,997)	(37,307)	-	(274,332)
Government grants	(2,658)	(251,497)	(7,055)	(160,543)	(142)	(92)	-	(421,987)
Total Income	**(63,975)**	**(337,160)**	**(18,786)**	**(206,860)**	**(32,139)**	**(37,399)**	**-**	**(696,319)**
Employee expenses	40,420	254,958	8,988	35,224	15,031	29,376	-	383,997
Other service expenses	106,628	157,584	36,573	142,750	22,448	57,615	27,344	550,942
Support service recharges	17,130	36,242	6,716	15,073	10,084	19,218	-	104,463
Total Expenditure	**164,178**	**448,784**	**52,277**	**193,047**	**47,563**	**106,209**	**27,344**	**1,039,402**
Net Expenditure	**100,203**	**111,624**	**33,491**	**(13,813)**	**15,424**	**68,810**	**27,344**	**343,083**

Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11 £000	2011/12 £000
Net expenditure in the Departmental Analysis	343,083	298,775
Net expenditure of services and support services not included in the Analysis		
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(60,175)	(11,881)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(18,225)	(21,230)
Cost of Services in Comprehensive Income and Expenditure Statement	**264,683**	**265,664**

2010/11	Depart-mental Analysis	Services and Support Services not in Analysis	Amounts not reported to manage-ment for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(274,332)	-	-	1,703	-	(272,629)	-	(272,629)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	12,918	12,918
Income from council tax	-	-	-	-	-	-	(132,013)	(132,013)
Government grants and contributions	(421,987)	-	-	1,468	-	(420,519)	(242,613)	(663,132)
Total Income	**(696,319)**	**-**	**-**	**3,171**	**-**	**(693,148)**	**(361,708)**	**(1,054,856)**
								-
Employee expenses	383,997		(60,175)	-	-	323,822	-	323,822
Other service expenses	550,942		-	(21,396)	-	529,546	-	529,546
Support Service recharges	104,463	-	-	-	-	104,463	-	104,463
Depreciation, amortisation and impairment	-	-		-	-	-	-	-
Interest Payments	-	-	-	-	-	-	14,489	14,489
Precepts & Levies	-	-	-	-	-	-	44,564	44,564
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	17	17
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	10,979	10,979
Total expenditure	**1,039,402**	**-**	**(60,175)**	**(21,396)**	**-**	**957,831**	**70,049**	**1,027,880**
Surplus or (deficit) on the provision of services	**343,083**	**-**	**(60,175)**	**(18,225)**	**-**	**264,683**	**(291,659)**	**(26,976)**

Departmental Income and Expenditure 2011/12	**Adult Social Services £000**	**Children and Young People £000**	**Corporate Services £000**	**Finance £000**	**Law, HR and Asset Manage-ment £000**	**Technical Services £000**	**Mersey-travel £000**	**Total £000**
Fees, charges and other service income	(47,765)	(79,167)	(9,080)	(41,311)	(39,043)	(27,484)	-	(243,850)
Government grants	(7,842)	(240,345)	(3,643)	(166,278)	(64)	-	-	(418,172)
Total Income	**(55,607)**	**(319,512)**	**(12,723)**	**(207,589)**	**(39,107)**	**(27,484)**	**-**	**(662,022)**
Employee expenses	25,923	224,522	8,744	29,659	14,548	21,716	-	325,112
Other service expenses	93,137	151,277	22,673	160,489	31,123	54,661	28,817	542,177
Support service recharges	12,434	32,440	5,131	13,269	10,020	19,895	-	93,189
Total Expenditure	**131,494**	**408,239**	**36,548**	**203,417**	**55,691**	**96,272**	**28,817**	**960,478**
Net Expenditure	**75,887**	**88,727**	**23,825**	**(4,172)**	**16,584**	**68,788**	**28,817**	**298,456**

During 2011/12 Corporate Services was renamed as the Regeneration, Housing and Planning department.

2011/12	Departmental Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(243,851)	-	(69)	-	-	(243,920)	-	(243,920)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	2,320	-	2,320	8,911	11,231
Income from council tax	-	-	-	-	-	-	(135,814)	(135,814)
Government grants and contributions	(418,171)	-	-	7,312	-	(410,859)	(184,225)	(595,084)
Total Income	**(662,022)**	**-**	**(69)**	**9,632**	**-**	**(652,459)**	**(311,128)**	**(963,587)**
								-
Employee expenses	325,112		(14,220)	2,019	-	312,911	-	312,911
Other service expenses	542,177		2,408	(32,881)	-	511,704	-	511,704
Support Service recharges	93,189	-	-	-	-	93,189	-	93,189
Depreciation, amortisation and impairment	-	-		-	-	-	-	-
Interest Payments	-	-	-	-	-	-	14,359	14,359
Precepts & Levies	-	-	-	-	-	-	44,975	44,975
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	12	12
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	61,719	61,719
Total expenditure	**960,478**	**-**	**(11,812)**	**(30,862)**	**-**	**917,804**	**121,065**	**1,038,869**
Surplus or (deficit) on the provision of services	**298,456**	**-**	**(11,881)**	**(21,230)**	**-**	**265,345**	**(190,063)**	**75,282**

29. TRADING OPERATIONS

The Council has established a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of the major units, which follow, have a trading objective to break even:-

		2009/10		2010/11		2011/12	
		£000	£000	£000	£000	£000	£000
(1) Vehicle Maintenance Unit	Turnover	468		471		464	
The Vehicle Maintenance Unit won the contract under open competition	Expen-diture	456		471		323	
and still operates along the lines of the former CCT DSO.	Surplus/ (Deficit)		12		-		141
(2) Building Cleaning	Turnover	1,071		1,048		839	
The Council manages a Building Cleaning operation on the basis of an	Expen-diture	978		976		744	
agreement between the service provider and other departments.	Surplus/ (Deficit)		93		72		95
(3) Grounds Maintenance Services	Turnover	1,619		1,645		-	
The Council operates its Grounds Maintenance Services for the	Expen-diture	1,619		1,645		-	
maintenance of Council and other land on the basis of an agreement between the service provider and other Council departments and other bodies.	Surplus/ (Deficit)		-		-		-

From 2011/12 Grounds Maintenance services have been defined as an operational service. They are included in the previous year for comparative purposes.

30. POOLED BUDGETS

Pooled funds enable health bodies and Local Authorities to work collaboratively to address specific local health and social care issues. Health service resources can be used to deliver Local Council services and vice versa.

Wirral Community NHS Trust is the host for a pooled budget for integrated community equipment services.

Wirral Council's contribution for 2011/12 is £726,000 out of total expenditure of £2.27 million.

31. COMMUNITY FUND

The Community Fund was established following the Large Scale Voluntary Transfer of the Council's housing stock. Its purposes include meeting transferred stock warranty claims, assisting to meet housing requirements, encouraging economic regeneration, helping to reduce crime and for other environmental benefits.

The Fund is administered and held in a separate bank account by Wirral Partnership Homes. Its use is jointly controlled by representatives of Wirral Council and Wirral Partnership Homes. Wirral Council's accounts do not include the assets, income or expenditure of the Fund. Any grants paid to the Council from the Community Fund will, however, be included within the Council's accounts.

During 2011/12 the Fund received £4.4 million of income from savings relating to refurbishment programme VAT arrangements and from interest earned on the Fund balances.

The fund incurred Expenditure of £10 million in the year. Wirral Council received grants of £0.75 million (£8.1 million in 2010/11). £0.5 million funded support for Housing initiatives and £0.25 million funded schemes tackling Domestic Abuse. Wirral Partnership Homes received £9.0 million of grants in 2011/12 (£0 million in 2010/11). The Your Wirral Grant scheme also received £0.25 million (£0.53 million in 2010/11) to fund community initiatives.

Community Fund Statement	**£000**	**£000**
Balance at 1 April 2011	12,940	
Adjustment to Opening Balance: Accrued VAT	(9)	12,931
Movement 2011/12		
Income		
- Contributions arising from VAT savings	4,366	
- Property Sale	-	
- Interest received	35	4,401
Expenditure		
Grant Payments to Wirral Council	(750)	
Grant Payments to Wirral Partnership Homes	(9,009)	
Your Wirral Grant Scheme	(250)	(10,009)
Balance at 31 March 2012		**7,323**

After earmarking funds for any potential warranty liabilities, as at 31 March 2012 the Fund held £4.8 million for distribution.

32. MEMBERS' ALLOWANCES

The Council paid the following amounts to Members of the council during the year.

	2010/11 £000	**2011/12 £000**
Salaries	11	12
Allowances	774	761
Expenses	22	10
Total	**807**	**783**

33. OFFICERS' REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

	Salary £	Allow-ances £	Comp-ensation for loss of Office £	Pension Contrib-utions £	Total inc Pension Contrib-utions £
Financial Year 2011/12					
Chief Executive	129,759	-	-	15,571	145,330
Director of Technical Services	112,849	2,653	-	13,541	129,043
Director of Finance	114,290	1,899	-	13,714	129,903
Interim Director of Adult Social Services (retired)	85,850	1,734	-	10,302	97,886
Interim Director of Children's Services	104,149	1,239	-	12,497	117,885
Director Law, HR and Asset Management	110,027	-	-	13,203	123,230
Acting Director of Regeration, Housing and Planing	104,385	-	-	12,526	116,911
	761,309	**7,525**	**-**	**91,354**	**860,188**
Financial Year 2010/11					
Interim Chief Executive	123,334	726	-	21,706	145,766
Chief Executive (retired)	67,670	-	157,537	11,910	237,117
Director of Technical Services	112,848	2,556	-	19,861	135,265
Director of Finance	112,848	1,823	-	19,861	134,532
Interim Director of Adult Social Services	112,848	1,424	-	19,861	134,133
Director of Adult Social Services (retired)	64,182	929	152,339	11,296	228,746
Director Law, HR and Asset Management	107,205	297	-	18,868	126,370
	700,935	**7,755**	**309,876**	**123,363**	**1,141,929**

Where an employer makes decisions which result in additional benefits paid to a member, this produces a strain on the Pension Fund. The costs of providing these additional benefits are calculated by the Pension Fund and recharged to the Council, who reimburse the Fund over 5 years. The main category of these costs relates to early retirement.

Remuneration band	2010/11 Number of Employees			2011/12 Number of Employees		
	General	Teaching	Total	General	Teaching	Total
£50,000 - £54,999	47	107	154	36	73	109
£55,000 - £59,999	38	77	115	16	65	81
£60,000 - £64,999	35	37	72	16	33	49
£65,000 - £69,999	20	22	42	8	22	30
£70,000 - £74,999	29	10	39	14	9	23
£75,000 - £79,999	9	5	14	1	3	4
£80,000 - £84,999	6	4	10	5	5	10
£85,000 - £89,999	2	3	5	3	3	6
£90,000 - £94,999	2	8	10	1	3	4
£95,000 - £99,999	3	4	7	2	2	4
£100,000 - £104,999	1	1	2	1	1	2
£105,000 - £109,999	2	6	8	3	-	3
£110,000 - £114,999	2	-	2	1	1	2
£115,000 - £119,999	3	1	4	2	-	2
£120,000 - £124,999	1	1	2	-	-	-
£125,000 - £129,999	1	-	1	1	-	1
£135,000 - £139,999	-	-	-	-	1	1
£165,000 - £169,999	-	-	-	1	-	1
£175,000 - £179,999	-	-	-	1	-	1
	201	**286**	**487**	**112**	**221**	**333**

The number of teachers employed by the Council has fallen in 2011/12. This is due to the transfer out of the Council's control of a number of schools e.g. the establishment of Academies.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

(a) Exit Package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band		(b) Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £000	2011/12 £000
£ 0 - £ 20,000	-	-	756	26	756	26	7,474	359
£ 20,001 - £ 40,000	-	-	344	29	344	29	9,687	857
£ 40,001 - £ 60,000	-	-	76	5	76	5	3,540	241
£ 60,001 - £ 80,000	-	-	17	1	17	1	1,165	64
£ 80,001 - £100,000	-	-	1	-	1	-	87	-
£100,001 - £150,000	-	-	-	2	-	2	-	221
	-	**-**	**1,194**	**63**	**1,194**	**63**	**21,953**	**1,742**

34. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2010/11 £000	2011/12 £000
Fees payable to The Audit Commission with regard to external audit services carried out by the appointed auditor	392	415
Fees payable to The Audit Commission for the certification of grant claims and returns	128	100
Total	**520**	**515**

The fee for 2011/12 includes £62,000 for additional audit relating to 2010/11. These fees were however paid in 2011/12.

35. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

The increase in DSG from 2010/11 (£194 million) to 2011/12 (£206 million) is due to the transfer of Specific Grants into the DSG for 2011/12 (£35 million) and the recoupment for Academy Schools transferring out (£23 million).

Details of the deployment of DSG receivable are as follows

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2010/11			194,032
Brought forward from 2009/10			1,500
Carry forward to 2011/12 agreed in advance			(1,537)
Agreed budgeted distribution 2010/11	20,974	173,021	193,995
less: Actual central expenditure	(19,851)		(19,851)
less: Actual ISB deployed to schools		(173,004)	(173,004)
Authority contribution for 2010/11	**182**		**182**
Carry forward to 2011/12 agreed in advance			**1,537**
Total carried forward to 2011/12	**1,305**	**17**	**2,859**

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2011/12			206,127
Brought forward from 2010/11			2,859
Carry forward to 2012/13 agreed in advance			(580)
Agreed budgeted distribution 2011/12	21,097	187,309	208,406
less: Actual central expenditure	(20,421)		(20,421)
less: Actual ISB deployed to schools		(187,485)	(187,485)
Authority contribution for 2011/12	**1,000**	**176**	**1,176**
Carry forward to 2012/13 agreed in advance			**580**
Total carried forward to 2012/13	**1,676**	**-**	**2,256**

36. GRANT INCOME

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

Credited to Taxation and Non Specific Grant Income:	**2010/11 £000**		**2011/12 £000**	
Revenue Grants :				
National Non Domestic Rates	137,844		121,312	
Area Based Grant	37,662		-	
Revenue Support Grant	20,016		37,498	
Schools Private Finance Initiative	5,471		5,471	
Local Services Support Grant	-		1,495	
Council Tax Freeze Grant	-		3,286	
Total Revenue Grants		**200,993**		**169,062**
Capital Grants :				
Standards Fund	25,600		8,163	
Housing Market Renewal Initiative	3,090		2,699	
Transport Supplementary Grant	2,366		4,443	
Regional Housing Pot	2,355		-	
Homes and Communities Agency	2,066		-	
Childrens Centres	1,709		-	
Growth Point	1,567		-	
Community Capacity			941	
Town Link Viaduct	-		870	
Challenge Fund	-		659	
Other Capital Grants (less than 200k)	1,699		674	
North West Development Agency	728		-	
Social Care Single Capital Pot - Extra Care	237		-	
Waste Infrastructure	203		-	
Total Capital Grants		**41,620**		**18,449**
Total Credited to Taxation and Non Specific Grant Income		**242,613**		**187,511**

Grants credited to Taxation and Non-specific Grants saw a reduction of £55 million from 2010/11. The main reasons for this include the ending of Area Based Grants (£37 million), Homes and Communities Agency (£2 million) and the Regional Housing Pot (£2 million). Standards Fund also reduced, following the completion of the Primary Capital Programme (£7 million) and Building Schools For the Future (£6 million).

	2010/11 £000	2011/12 £000
Credited to Services:		
Dedicated Schools Grant	192,389	206,127
Housing Benefits	159,880	165,929
16-19 Further Education Young People's Learning Agency	6,800	17,419
Early Intervention Grant	-	15,500
Learning Disabilities & Health Reform Grant	-	6,709
Pupil Premium	-	5,394
Future Job Fund	-	1,359
Step Up to Social Work	-	1,157
Youth Justice Board	1,009	882
Adult Safeguarded Learning	-	853
Worklessness Grant	-	641
Music Grant	-	635
Winter Maintenance	297	626
Apprentice	-	460
Intensive Start Up Support	-	376
Rates Relief	359	347
Social Work Improvement Fund	-	340
Big Lottery	-	237
Complementary Strand Grant	-	226
ERDF	-	150
Standards Fund	26,043	-
6th Form	22,302	-
Sure Start	10,811	-
School Standards Grant	7,924	-
Other Young People's Learning Agency	7,292	-
School Standards Grant - Personalisation	2,738	-
Adults Social Care Reform	1,873	-
Aiming High for Disabled Children	1,640	-
Think Family	649	-
Youth Opportunity	318	
Other	865	1,028
Total Credited to Services	**443,189**	**426,395**

Grants credited to Services has reduced by £17 million in 2011/12. Also, as mentioned in Note 35 Dedicated Schools Grant (DSG), schools specific grants were transferred into the DSG. Academy transfers reduced 2011/12 grant by £23 million, whilst the receipt of the new Pupil Premium Grant increased grants credited to services by £5 million.

PFI Grant of £5.471 million is now reflected within Revenue Grants credited to Taxation, and Non-Specific Grant Income.

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them. These will require the monies to be returned to the giver, if not spent in accordance with the conditions. The balances at the year-end are as follows:

	31 March 2011 £000	31 March 2012 £000
Grants Receipts in Advance		
Local Area Agreement Reward Grant	1,811	1,811
West Kirby Marine Lake	300	300
Mulberry Properties	275	275
Atherton Street	225	225
Aiming higher - disabled children	-	203
Other	117	-
Total Grant Receipts in Advance	**2,728**	**2,814**

Revenue grants with conditions totalling less than £1 million are included in short term creditors.

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.

Central Government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the 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). Grants received from government departments are set out in the subjective analysis in note 36 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are detailed in the same note.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2011/12 is shown in note 32. Members of the Council are also Board Members of Wirral Partnership Homes (WPH) as well as Beechwood and Ballantyne Community Housing Association (BBCHA). Members have declared interests, where required, in items associated with these organisations. During the year the Council made payments of £3.0 million (£3.3 million in 2010/11) to WPH. No payments were made to BBCHA (£0.1 million in 2010/11). In addition as part of the development agreement WPH paid £0.75 million (£8.1 million in 2010/11) to the Council in respect of the Community Fund in support of community asset transfers and investment to support regeneration and housing.

A number of Members hold positions on the governing body of various voluntary organisations to which the Council gave grants of £0.7 million (£0.8 million in 2010/11).

The relevant Members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest which is open to public inspection.

Officers

No material declarations of interest were made in the year.

Other Public Bodies

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

	Number of Repre-sentative(s)	Precept/ Levy 2010/11 £000	Precept/ Levy 2011/12 £000
Merseyside Police Authority	4	15,308	15,336
Merseyside Fire and Rescue Service	4	6,781	6,793
Merseyside Waste Disposal Authority	2	17,044	15,988
Merseyside Port Health	3	128	128
Merseytravel	2	27,344	28,817

The Council has a pooled budget arrangement with Wirral Primary Care Trust for the provision of integrated community equipment services. Further details are contained in note 30.

The Council acts as the administering authority to Merseyside Pension Fund and charged the Fund £3.8 million (2010/11 £4.9 million) for administration and investment management costs.

38. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Summary of Capital Expenditure and Financing	**2010/11 £000**	**2011/12 £000**
Capital Investment		
Property, Plant & Equipment	43,344	28,446
Intangible Assets	11	107
Investment Properties	-	15
Asset Held for Sale	31	-
Revenue Expenditure Funded from Capital under Statute	14,840	17,557
Long Term Debtors	769	487
	58,995	**46,612**
Sources of Finance		
Borrowing supported by Government financial assistance	(6,375)	-
Borrowing unsupported by Government financial assistance	(5,300)	(17,585)
Capital Receipts	(3,000)	(3,000)
Government Grants and Other Contributions	(43,877)	(24,364)
Revenue Provision	(443)	(1,663)
	(58,995)	**(46,612)**
Opening Capital Financing Requirement	**384,595**	**379,385**
Closing Capital Financing Requirement	**379,385**	**377,922**

39. LEASES

Finance Leases

Council as Lessee

The Council has acquired a number of assets such as I.T. and grounds maintenance equipment, refuse collection and street cleansing vehicles under finance leases. These assets are carried in the Balance Sheet within Vehicles, Plant and Equipment at the following net amounts:

	31 March 2011 £000	**31 March 2012 £000**
Vehicles, Plant and Equipment	4,169	3,039
	4,169	3,039

The Council is committed to make minimum payments under these leases. Such payments comprise an element for the interest in the property acquired and an element for finance costs payable by the Council while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2011 £000	31 March 2012 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	1,028	1,072
• non-current	2,045	1,088
Finance costs payable in future years	475	286
Minimum lease payments	**3,548**	**2,446**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Not later than one year	1,231	1,222	1,028	1,072
Later than one year and not later than five years	2,307	1,224	2,002	1,088
Later than five years	10	-	43	-
	3,548	**2,446**	**3,073**	**2,160**

The Council has assets acquired under Finance Leases which are sub-leased to schools that have been granted Academy status during 2011/12. The amounts paid in respect of such sub-leased assets are as follows:

	31 March 2011 £000	31 March 2012 £000
Minimum lease payments	-	21
Contingent Rents	-	-
Sub-lease Payments Receivable	-	(21)
	-	**-**

Operating Leases

Council as lessee

The Council has acquired a number of vehicles by entering into operating leases.

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

	31 March 2011 £000	31 March 2012 £000
Not later than one year	35	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	35	-

Finance Leases

Council as Lessor

The Council has leased out the following properties on finance leases with the remaining terms shown:

Property	Lessor	Remaining term
Birkenhead Market	Birkenhead Market Ltd	116 years
Wirral Country Park Caravan Site (Touring)	The Caravan Club Ltd	17 years
Wirral Country Park Caravan Site (Static)	Thurstaston Caravan Owners Association	37 years
New Brighton Marine Point	Neptune Developments	250 years

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

	31 March 2012 £000
Finance lease debtor (net present value of minimum lease payments):	
• current	189
• non-current	1,837
Unearned finance income	24,132
Unguaranteed residual value of property	3,460
Gross investment in the lease	29,618

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

	Gross Investment in the Lease 31 March 2012 £000	Minimum Lease Payments 31 March 2012 £000
Not later than one year	287	189
Later than one year and not later than five years	1,146	588
Later than five years	28,185	1,235
	29,618	2,012

Operating Leases

Council as Lessor

The Council leases out property under operating leases. The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2011 £000	31 March 2012 £000
Not later than one year	600	586
Later than one year and not later than five years	812	848
Later than five years	17	148
	1,429	1,582

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

40. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

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

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

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

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

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

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

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

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

Bebington High, Hilbre High and South Wirral High have adopted Foundation status. University Academy Birkenhead, Weatherhead High, Wirral Grammar School and Prenton High have adopted Academy status. Consequently, the corresponding assets are no longer reflected in the balance sheet.

Valuation information for PFI assets recognised in the Balance Sheet:

	Leasowe Primary £000	Prenton High £000	Wallasey High £000	Total £000
Movement in 2011/12				
Valuation				
Valuation at 1 April 2011	3,044	4,921	9,550	17,515
Disposals	-	(4,921)	-	(4,921)
Accumulative Depreciation at 1 April 2011	(244)	(400)	(766)	(1,410)
Depreciation 2011/12	(76)	(124)	(238)	(438)
Adjustment for disposal	-	524	-	524
Accumulative Depreciation at 31 March 2012	(320)	-	(1,004)	(1,324)
Net Book Value				
at 31 March 2012	2,724	-	8,546	11,270
at 31 March 2011	2,800	4,521	8,784	16,105
Comparative Movement in 2010/11				
Valuation at 1 April 2010	3,044	4,921	9,550	17,515
Accumulative Depreciation at 1 April 2010	(168)	(275)	(528)	(971)
Depreciation 2010/11	(76)	(125)	(238)	(439)
Accumulative Depreciation at 31 March 2011	(244)	(400)	(766)	(1,410)

The valuation for Leasowe Primary School has now been amended to include the value of the land. As a result the valuation above is increased by £46,000.

The valuation for Wallasey High School has now been amended to exclude the City Learning Centre. As a result the valuation above is reduced by £365,000 and accumulated depreciation by £40,000.

Payments

Payments remaining to be made under PFI contracts are as follows:

	Services £000	Lease Liability £000	Interest £000	Life cycle costs £000	Total £000
Payable in 2012/13	3,091	1,827	2,044	934	7,896
Payable within 2 - 5 years	11,903	9,547	7,422	2,710	31,582
Payable within 6 - 10 years	14,482	13,642	7,246	4,109	39,479
Payable within 11 - 15 years	14,677	16,831	4,698	3,273	39,479
Payable within 16 - 20 years	12,903	17,596	1,434	1,121	33,054
Total	**57,056**	**59,443**	**22,844**	**12,147**	**151,490**

The unitary payment in 2011/12 is £10,184,542 allocated as follows

	2010/11 £000	2011/12 £000
Service costs	3,921	4,038
Interest and similar charges	3,165	3,379
Lease liability	1,969	2,233
Life cycle costs	710	534
	9,765	**10,184**

The value of the outstanding lease liability is:

	2010/11 £000	2011/12 £000
Balance outstanding at start of year	68,786	61,617
Lease payments during the year	(2,004)	(2,936)
Other movements	(5,165)	23
	61,617	58,704

In calculating the future unitary payments to the end of the contract from 2012-13 onward the most up to date information available has been used. This gives a more accurate estimate of the total outstanding liability. However, substituting this information revises upward the original calculation of the liability at 31 March 2011 by £23,000. The annual unitary payment is increased by the Retail Price Index less 10%. Since 2010/11 the RPI has been estimated using figures provided by the Office of Budget Responsibility whereas previous calculations were extracted from the operator's financial model.

Lease payments in 2010/11 were understated by £35,000. This has now been restated with a consequential adjustment reducing the balance at 31 March 2011 to £61,617,000.

41. TERMINATION BENEFITS

The Council ended the employment contracts of a number of employees in 2011/12, incurring liabilities of £1.7m (£23.4m in 2010/11) – see note 33 for the number of exit packages and total cost per band

The Council in October 2010 offered all employees the opportunity to apply to leave through voluntary severance and/or early voluntary retirement. Under this scheme over 1,100 individuals left the Council between December 2010 and July 2011.

42. LONG TERM DEBTORS

	Repay-ment of former MCC Debt £000	Regen-eration Property Loans £000	Repay-ment of Council Mortgages £000	Leases £000	Total £000
Balance 1.4.2010	**67,029**	**886**	**103**	**-**	**68,018**
Advances	-	769	-	-	769
Repaid/reclassified	(4,469)	-	(22)	-	(4,491)
Balances 31.3.2011	**62,560**	**1,655**	**81**	**-**	**64,296**
Balance 1.4.2011	**62,560**	**1,655**	**81**	**-**	**64,296**
Advances	-	487	-	2,675	3,162
Repaid/reclassified	(4,469)	-	(15)	-	(4,484)
Balances 31.3.2012	**58,091**	**2,142**	**66**	**2,675**	**62,974**

43. DEFERRED CREDITS

These amounts relate to the Council's share of the receipts from sales of former council housing by Wirral Partnership Homes and Beechwood and Ballantyne Community Housing Association, as well as the balances on outstanding mortgages previously granted by the Council in respect of Right to Buy properties.

	2010/11 £000	2011/12 £000
Receipts for Sale of Former Council Houses	-	142
Outstanding mortgages	81	66
	81	**208**

44. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. 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 Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of 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.

In 2011/12, the Council paid £12.2 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £14.1 million and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 45.

In 2011/12 the Council paid £3.7 million by way of enhanced pensions, with the equivalent figure in 2010/11 being £3.0 million.

45. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

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

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

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made 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 in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		**Discretionary Benefits Arrangements**		**Unfunded Teachers Scheme**	
	2010/11 £000	**2011/12 £000**	**2010/11 £000**	**2011/12 £000**	**2010/11 £000**	**2011/12 £000**
Comprehensive Income and Expenditure Statement						
Cost of Services:						
• current service cost	25,737	21,957	-	-	-	-
• past service Costs	(56,725)	-	(2,099)	-	(2,025)	-
• settlements and curtailments	4,618	(2,999)	-	-	964	174
Financing and Investment Income and Expenditure						
• interest cost	55,705	51,411	2,336	2,021	1,896	1,794
• expected return on scheme assets	(42,172)	(44,309)	-	-	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(12,837)	26,060	237	2,021	835	1,968

(Table continues on following page)

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	Local Government Pension Scheme		**Discretionary Benefits Arrangements**		**Unfunded Teachers Scheme**	
	2010/11 £000	**2011/12 £000**	**2010/11 £000**	**2011/12 £000**	**2010/11 £000**	**2011/12 £000**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
• actuarial gains and losses	(44,580)	62,348	(2,489)	857	968	1,159
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(57,417)	88,408	(2,252)	2,878	1,803	3,127
Movement in Reserves Statement						
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	12,837	(26,060)	(237)	(2,021)	(835)	(1,968)
Actual amount charged against the General Fund Balance for pensions in the year:						
• employers' contributions payable to scheme	25,390	28,411			3,094	3,023
• retirement benefits payable to pensioners			2,701	2,721		

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £64,364,000.

Assets and Liabilities in Relation to Post-employment Benefits
Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits		Unfunded Teachers Scheme	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Opening balance at 1 April	997,404	945,813	43,061	38,108	36,022	34,731
Current service cost	25,737	21,957	-	-		-
Interest cost	55,705	51,411	2,336	2,021	1,896	1,794
Contributions by scheme participants	9,293	8,362	-	-	-	-
Actuarial (gains) and losses	(49,851)	34,044	(2,489)	857	968	1,159
Benefits paid	(40,368)	(41,331)	(2,701)	(2,721)	(3,094)	(3,023)
Past service costs/ (gain)	(56,725)	-	(2,099)	-	(2,025)	-
Curtailments	4,618	3,934	-	-	964	174
Settlements	-	(9,858)	-	-	-	-
Closing balance at 31 March	945,813	1,014,332	38,108	38,265	34,731	34,835

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme		Unfunded liabilities Discretionary Benefits	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Opening balance at 1 April	652,616	683,832	-	-
Expected rate of return	42,172	44,309	-	-
Actuarial gains and losses	(5,271)	(28,304)	-	-
Employer contributions	25,390	28,411	2,701	2,721
Contributions by scheme participants	9,293	8,362	-	-
Benefits paid	(40,368)	(41,331)	(2,701)	(2,721)
Entity combinations	-	-	-	-
Settlements	-	(2,925)	-	-
Closing balance at 31 March	683,832	692,354	-	-

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £16,005,000 (2010/11: £52,371,000).

Scheme History	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities:					
Local Government Pension Scheme	838,119	715,668	997,404	945,813	1,014,332
Discretionary Benefits	42,228	36,044	43,061	38,108	38,265
Teachers pension scheme	36,254	31,022	36,022	34,731	34,835
	916,601	**782,734**	**1,076,487**	**1,018,652**	**1,087,432**
Fair value of assets:					
Local Government Pension Scheme	582,775	485,456	652,616	683,832	692,354
Surplus/(deficit):					
Local Government Pension Scheme	(255,344)	(230,212)	(344,788)	(261,981)	(321,978)
Discretionary Benefits	(42,228)	(36,044)	(43,061)	(38,108)	(38,265)
Teachers pension scheme	(36,254)	(31,022)	(36,022)	(34,731)	(34,835)
Total	**(333,826)**	**(297,278)**	**(423,871)**	**(334,820)**	**(395,078)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £395,078,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £83.608 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £25.0 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £2.7 million. Expected contributions to unfunded teachers pensions in the year to 31 March 2012 are £3.0 million.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer, an independent firm of actuaries, estimates for the Merseyside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2010/11	2011/12	2010/11	2011/12
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.5%	7.0%	-	-
Government Bonds	4.4%	3.1%	-	-
Other Bonds	5.1%	4.1%		
Property	6.5%	6.0%		
Cash / Liquidity	0.5%	0.5%		
Other	7.5%	7.0%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	21.4	21.5	16.4	16.4
• Women	24.1	24.2	20.1	20.3
Longevity at 65 for future pensioners:				
• Men	22.8	22.8	-	-
• Women	25.7	25.8	-	-
Rate of CPI inflation	2.9%	2.5%	2.8%	2.7%
Rate of increase in salaries	4.4%	4.0%	2.8%	2.7%
Rate of increase in pensions	2.9%	2.5%	-	-
Rate for discounting scheme liabilities	5.5%	4.9%	2.8%	2.7%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	6.2%	6.1%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2010/11 %	2011/12 %
Equity investments	60.7	59.1
Government bonds	10.7	15.7
Other bonds	6.7	4.0
Property	7.9	9.3
Cash/liquidity	2.3	2.2
Other	11.7	9.7
	100.0	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	(9.82)	(29.56)	(20.35)	1.49	(4.09)
Experience gains and losses on liabilities	(2.40)	-	-	6.10	-

46. TRUST FUNDS

The Council acts as a trustee for a number of trust funds. These do not represent assets of the Council and have not been included in the Balance Sheet.

The E.F. Callister trust promotes youth development. The Stitt and Russell trusts exist to promote educational achievement.

	EF Callister £	Stitt Scholarship £	RJ Russell Prize £	Criminal Injuries £	Other £	Total £
Balance 1 April 2010	**372,822**	**36,480**	**85,715**	**33,891**	**102,647**	**631,555**
Income	-	182	374	-	12,786	13,342
Expenditure	-	-	-	(31,558)	(1,030)	(32,588)
Balance 31 March 2011	**372,822**	**36,662**	**86,089**	**2,333**	**114,403**	**612,309**
Income	-	183	430	12	3,901	4,526
Expenditure	-	-	-	-	(8,225)	(8,225)
Balance 31 March 2012	**372,822**	**36,845**	**86,519**	**2,345**	**110,079**	**608,610**

Fund assets are as follows:

	Balance 1 April 2010 £	Balance 31 March 2011 £	Balance 31 March 2012 £
Property	372,822	372,822	372,822
Investments			
Internal	238,014	214,127	213,813
Equities	6,922	6,922	6,922
Cash	13,797	18,438	15,053
	631,555	**612,309**	**608,610**

47. CONTINGENT ASSETS AND LIABILITIES

Wirral Partnership Homes (WPH)

On the transfer of the Council housing stock in 2005, an environmental warranty was agreed with Wirral Partnership Homes (WPH). This warranty requires remediation of any environmental contamination. It has been agreed that the funding of such costs will be from the Community Fund that is administered by WPH and the Council.
The Community Fund is administered by WPH but all expenditure must be agreed by both WPH and the Council. The utilisation of the Fund by each organisation must be in accord with the agreed purposes of improving the economic, environmental and social well-being of Wirral's residents and compliance with the charitable objectives of WPH.

Pay Review

As a consequence of the National Joint Council (NJC) for Local Government Services pay award the Council is implementing a Local Pay Review which is being backdated to 1 April 2007. The review is addressing any equality issue in relation to equal pay for work of equal value, and whilst substantially complete the final cost is not yet known. The accounts include sums set aside as a contribution towards these additional costs.

The Council also undertook a negotiated settlement of its equal pay obligations. With the payment of back pay for certain employees relating to past years' service made a small number of cases remain to be settled and, to date, the Council has received a small number of claims. There is the likelihood of further potential liabilities or amounts that may be required to settle obligations.

Development and Investment

The Housing Market Renewal Initiative involves a substantial programme of clearance and redevelopment in Birkenhead and Wallasey. A potential liability exists if the developments do not proceed given the current economic and public funding situation.

48. 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 (both revised in November 2011).

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

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

The main risks covered are:

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

Credit Risk

The Council manages credit risk by ensuring that investments are placed with counterparties having sufficiently high credit ratings as set out in the Treasury Management Strategy. Limits are also placed on the amount of money that can be invested with a single counterparty and for institutions that are part of the same banking group.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of credit indicators. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2011/12, approved by Full Council on 1 March 2011.

Until November 2011 the minimum credit rating criteria for new investments in 2011/12 was a long term rating of A+/A1/A+ (Fitch/Moody's/S&P). Following downgrades to a number of systemically important financial institutions in autumn 2011, a lower minimum credit rating criteria of A-/A3/A- (Fitch/Moody's/S&P) was adopted by the Council once the revised Treasury Strategy was approved by Full Council.

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2012 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					
Financial Institution / Instrument and Country	Long Term Rating	Short Term Rating	Cash Equivalent	0-3 Months	3-6 Months	6-12 Months	Over 12 Months	Balance Invested as at 31.03.12
			£000	£000	£000	£000	£000	£000
LOANS AND RECEIVABLES								
Banks								
UK	A+	F1	15,000	-	-	-	-	15,000
UK	A	F1	-	6,600	4,900	2,000	6,000	19,500
Building Societies								
UK	A	F1	-	5,500	-	-	-	5,500
Other Local Authorities	n/a	n/a	-	3,500	4,000	6,800	19,500	33,800
TOTAL LOANS AND RECEIVABLES			**15,000**	**15,600**	**8,900**	**8,800**	**25,500**	**73,800**
AVAILABLE FOR SALE FINANCIAL ASSETS								
Gilts	AAA	F1+	-	-	-	-	7,500	7,500
Other Externally Managed Funds	AAA	F1+	-	999	-	-	-	999
Money Market Fund	AAA	F1+	19,730	-	-	-	-	19,730
TOTAL AVAILABLE FOR SALE ASSETS			**19,730**	**999**	**-**	**-**	**7,500**	**28,229**
Total Financial Instruments			**34,730**	**16,599**	**8,900**	**8,800**	**33,000**	**102,029**

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

This table excludes the Council's impaired investment with Heritable Bank but includes a risk assessment of cash equivalents.

The Council has an impaired loan and receivable of £2m with Heritable bank at an interest rate of 6.22% which was due to mature on 28 November 2008. Early in October 2008 Heritable Bank went into administration. The latest creditor progress report issued by the administrators Ernst and Young dated 28 July 2011 outlined that the return to creditors is projected be 90p in the £ by the end of 2012/13 and the final recovery could be higher. The Council has, therefore, decided to recognise an impairment based on it recovering 90p in the £.

Trade Debtors

The credit risk associated with loans secured against property is minimal. Trade debtors are also subject to non payment, a bad debt provision is calculated for these based on the historic experience of levels of default. By including these provisions within the accounts the credit risk is recognised in the accounts.

2010/11	Trade Debtors	2011/12
£000		£000
15,353	Gross Debtors	21,808
6,489	Bad Debt Provision	7,622
8,864	**Net Trade Debtors**	**14,186**

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 not 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 2012 was as follows

	31.03.2012	
Maturity of Borrowing (Years)	**£000**	**%**
Short Term Borrowing		
Less than 1 year	17,129	6.48
Total Short Term Borrowing	**17,129**	**6.48**
Long Term Borrowing:-		
Over 1 year under 2 years	30,006	11.35
Over 2 years under 3 years	13,035	4.93
Over 3 years under 4 years	7,536	2.85
Over 4 years under 5 years	8,036	3.04
Over 5 years under 10 years	34,038	12.88
Over 10 years under 20 years	23,529	8.90
Over 20 years under 40 years	33,000	12.49
Over 40 years under 60 years	79,500	30.08
Over 60 years under 70 years	18,500	7.00
Total Long Term Borrowing	**247,180**	**93.52**
Total Borrowing	**264,309**	**100.00**

Market Risk

(1) Interest Rate Risk:
The Council is exposed to risks arising from movements in interest rates. To give the Council maximum flexibility during the year's unsettled market conditions the Treasury Management Strategy did not place limits on the amount of debt that can be exposed to fixed or variable interest rates. At 31 March 2012 100% of the debt portfolio was held in fixed rate instruments.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect on investment income would have been an increase of approximately £1,430,000. There would be no effect on interest payable on borrowings as all borrowings held are at fixed rates of interest.

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

(2) Price risk:
The Council only invests in AAA rated money market funds with a Constant Net Asset Value (CNAV) and, therefore, is only subject to very minimal price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).

(3) 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.

49. SURPLUS OR DEFICIT ON THE REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This note relates to the 2010/11 amount of £10.5 million for the surplus or deficit on the Revaluation of Property, Plant and Equipment.

The deficit on the revaluation of property, plant and equipment contains £6m related to capital grants. This is an item of uncertainty as these grants are not related to the change in the value of the Councils assets. It is related to the funding of capital expenditure and should not be included in this line. The contra correction would have the effect of reducing service specific gross income. The correction has no affect on the Council's general fund balances as these items offset in the Comprehensive Income and Expenditure Statement.

50. PRIOR PERIOD ADJUSTMENTS

(1) HERITAGE ASSETS

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as vehicles or land and buildings at valuation within the property, plant and equipment classification or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of heritage assets are set out in the section on accounting policies.

In applying the new accounting policy, the Council has identified that the assets that were previously held as vehicles at £150,650 or land and buildings at £496,784 (within the property, plant and equipment classification) should now be recognised as heritage assets. However, no change in valuation was required to restate the position at 1 April

2010. An adjustment was however required to write off accumulated depreciation for the assets involved (2 trams and a lighthouse). This resulted in an increase in the Capital Adjustment Account.

The Council will also recognise an additional £11,842,230 for the recognition of heritage assets that were not previously recognised in the Balance Sheet. These assets relate to the Museum's art and other collections, civic regalia, heritage buildings and vehicles within the Transport Museum. This increase is reflected in the Revaluation Reserve and the Capital Adjustment Account for a number of donated assets. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

At 1 April 2010 the carrying amount of Heritage Assets is presented at its valuation at £12.490 million. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £0.457 million. The Revaluation Reserve has increased by £11.761 million and the Capital Adjustment account by £0.272 million.

Effect on Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010 £000	Restatement £000	Restatement required to opening balances as at 1 April 2010 £000
Property, Plant and Equipment	713,720	713,263	(457)
Heritage Assets	-	12,490	12,490
Long-term Assets	**807,344**	**819,377**	**12,033**
Total Net Assets	**127,861**	**139,894**	**12,033**
Unusable Reserves	(18,048)	(6,015)	12,033
Net Worth / Total Reserves	**127,861**	**139,894**	**12,033**

Movement in Reserves Statement – Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As Previously Stated 31 March 2011 £000	As Restated 31 March 2011 £000	Restatement required to balances at 31 March 2011 £000
Balance as at the end of the previous reporting period - 31 March 2010	**127,861**	**139,894**	**12,033**
Surplus or Deficit on the Provision of Services	26,976	26,976	-
Other Comprehensive Income and Expenditure	40,738	40,738	-
Adjustments between the accounting basis and the funding basis under regulations	-	-	-
Increase / (decrease) in the year	**67,714**	**67,714**	-
Balance at the end of the current reporting period 31 March 2011	**195,575**	**207,608**	**12,033**

The resulting restated Balance Sheet for 31 March 2011 is provided on page 35. The adjustments that have been made to the Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet 31 March 2011

	As Previously Stated 31 March 2011 £000	Restatement £000	Restatement required to balances at 31 March 2011 £000
Property, Plant and Equipment	684,858	684,401	(457)
Heritage Assets	-	12,490	12,490
Long-term Assets	**775,367**	**787,400**	**12,033**
Total Net Assets	**195,575**	**207,608**	**12,033**
Unusable Reserves	51,158	63,191	12,033
Total Reserves	**195,575**	**207,608**	**12,033**

There has been no further impact on the Balance Sheet apart from the changes referred to above for the period to 1 April 2010. The fully restated 1 April 2010 is provided on page 35. :

FINANCING AND INVESTMENT INCOME LINE WITHIN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

In the 2011/12 Statement of Accounts the Council has restated the line for Financing and Investment income and Expenditure for 2010/11 within the Comprehensive Income and Expenditure Statement. This is due to a change of accounting treatment in respect of pension assets, investment properties and other investment income.

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2010/11 Original	31,287	3,880	27,407
2010/11 Restated	77,543	50,136	27,407
Change	**46,256**	**46,256**	**-**

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Additional Financial Statements

Collection Fund

ADDITIONAL FINANCIAL STATEMENTS

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

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 Wirral Council (the billing authority) in relation to the collection from taxpayers and distribution to the Council and the Merseyside Police and Fire and Rescue Authorities of Council Tax and to the Government of non-domestic rates.

	2010/11		2011/12	
Income	**£000**	**£000**	**£000**	**£000**
Council Tax (Note 2)	123,292		124,642	
Transfers from General Fund:-				
• Council Tax Benefits	31,034		31,217	
• Pensioner Discounts	780		815	
Income Collectable from Business Rate Payers (Note 3)	56,976		61,502	
Contribution from Preceptors to previous years estimated deficit (Note 6)	-		-	
		212,082		218,176
Expenditure				
Precepts from District, Police and Fire (Note 4)	153,287		153,563	
Business Rate				
- Payment to National Pool (Note 3)	56,631		61,162	
- Costs of Collection	345		340	
Bad and Doubtful Debts				
- Provisions (Note 5)	866		1,829	
Contribution to Preceptors from previous years estimated surplus	-		-	
		211,129		216,894
Movement on Collection Fund Balance		**953**		**1,282**

COLLECTION FUND BALANCE

	2010/11 £000	2011/12 £000
Fund Balance b/f 1 April	71	1,024
Movement in year	953	1,282
Fund Balance c/f 31 March	**1,024**	**2,306**

In accordance with accounting practice the Collection Fund balance has been allocated to individual preceptors, which includes Wirral Council.

NOTES TO THE ADDITIONAL FINANCIAL STATEMENTS

COLLECTION FUND

1. GENERAL

These accounts represent the statutory requirement to establish and maintain a separate fund for the collection and distribution of amounts in respect of Council Tax and National Non-Domestic Rates (NNDR).

2. INCOME FROM COUNCIL TAX

The Council set a Council Tax in 2011/12 for each band of dwelling as shown below:

Band	£	Band	£	Band	£	Band	£
A	976.14	C	1,301.51	E	1,789.58	G	2,440.34
B	1,138.82	D	1,464.20	F	2,114.96	H	2,928.40

The Council Tax was set estimating the number of properties in each band, after allowing for discounts and a 1.5% provision for non-collection. The tax in each band is set in relation to Band D. The maximum is Band H which is twice Band D. The minimum is Band A which is 2/3 of Band D.

The properties making up the estimated tax base are shown below. A number of adjustments are made to reflect the estimated reductions, reliefs and exemptions that apply to properties in each band. This gives the number of effective properties in each band, which is converted into the Band D equivalent using the ratios given:

Band	No. of Properties	Less Discounts	Effective Properties	Band Ratio	Band D Equivalent
A	58,757	11,039.50	47,717.50	6/9	31,811.67
B	31,041	3,889.75	27,151.25	7/9	21,117.64
C	27,207	2,828.25	24,378.75	8/9	21,670.00
D	13,028	1,181.75	11,846.25	1	11,846.25
E	8,039	639.00	7,400.00	11/9	9,044.44
F	4,273	315.75	3,957.25	13/9	5,716.03
G	3,101	244.00	2,857.00	15/9	4,761.67
H	271	42.50	228.50	18/9	457.00
	145,717	20,180.50	125,536.50		106,424.70
Add Band A Disabled Relief Band D					51.10
Total Council Tax Base 2011/12					**106,475.80**
Estimated Collection Rate					x 98.5%
Adjusted Council Tax Base 2011/12					104,879

The amounts credited to the Collection Fund for Council Tax are as follows: -

	2010/11 £000	2011/12 £000
Cash Payable	123,292	124,642
Council Tax Benefit	31,034	31,217
Pensioner Discounts	780	815
	155,106	**156,674**

3. INCOME FROM BUSINESS RATE PAYERS

The Council collects Non-Domestic rates for its area. This is based on local estimated rateable values. The estimated rateable value is split between general and small business. For 2011/12, the total rateable value was £179,816,768 of this, £164,019,590 related to general, charged at £0.433. Total small business was £15,797,178, charged at £0.426. This gave an opening charge of £77.765 million. After certain reliefs are granted and a provision for losses in collection made this produces collectable income of £61.502 million.

The income amount less a costs of collection allowance is paid to a central pool managed by Central Government. The pool pays back to authorities an amount based on a standard amount per head of the local adult population. This distribution is paid into the Council's General Fund. The total rateable value of all hereditaments within the Council area at 31 March 2012 was £180,910,478.

4. PRECEPTS

The Collection Fund paid the following precepts during the year: -

	2010/11 £000	2011/12 £000
Wirral Council	131,197	131,434
Merseyside Police Authority	15,309	15,336
Merseyside Fire and Rescue Service	6,781	6,793
	153,287	**153,563**

5. PROVISION FOR BAD AND DOUBTFUL DEBTS

A provision for bad debts is made each year for uncollectable amounts. The Council assumed a general collection rate of 98.5% for 2011/12. The bad debt provision is assessed annually and amounts set aside adjusted on an age profile of outstanding debt. In 2011/12 an additional £0.75 million has been placed in the provision to reflect increased billing arising from the charging for empty properties and potential future liabilities for non-payment. The costs of bad and doubtful debts are split between the Collection Fund preceptors based upon their precept shares.

6. CONTRIBUTION FROM/TO COLLECTION FUND

A year-end surplus/deficit on the Council Tax element of the Collection Fund is only physically distributed/recovered between the billing and precepting authorities where an estimated surplus/deficit has already been notified to those authorities.

For 2011/12 the preceptors were originally notified on 15 January 2012 that the Collection Fund would be in a surplus position, with an estimate of £1.7 million. As at 31 March 2012 there was a surplus of £2.306 million and this was allocated amongst the precept authorities accordingly. The additional amount has been allocated on the basis of the 2012/13 precept proportions.

In accordance with the changes in accounting practice any outstanding amounts at year end are distributed to preceptors on an accrued basis. Wirral's balance sheet reflects the share of any amounts owing or owed to it. An agency arrangement is reflected in Wirral Council's accounts with a single debtor or creditor representing amounts owed or owing to the Merseyside Fire & Civil Defence and Merseyside Police Authorities.

7. ALLOCATION OF YEAR END BALANCES

The year end balance on the Collection Fund is in respect of Council Tax and is shared in proportion to the precepts on the Collection Fund. The surplus is allocated on two bases. The surplus that was reported on 15 January 2012 (£1.7 million) is apportioned using the 2011/12 precept votes, whereas the additional surplus resulting from the final position as at 31 March 2012, is apportioned using the 2012/13 precept votes.

Payable to:	**Estimate 15 Jan 12**	**Additional Surplus 31 Mar 12**	**Total Allocation**
Wirral Council	1,455	516	1971
Merseyside Police Authority	170	62	232
Merseyside Fire and Rescue Service	75	28	103
	1,700	**606**	**2,306**

The share of any Collection Fund surplus or deficit is reflected within the precepting organisation's 2011/12 accounts. Wirral Council's element is included within the Taxation and Non-Specific Grant Income line within the Comprehensive Income and Expenditure Statement.

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Additional Financial Statements

Merseyside Pension Fund Accounts

MERSEYSIDE PENSION FUND ACCOUNTS

FINANCIAL STATEMENTS

FUND ACCOUNT **For the year ended 31 March 2012**	**Note**	**2010/11** **£000**	**2011/12** **£000**
Contributions and Benefits:			
Contributions receivable	6	266,747	243,213
Transfers in	7	19,273	11,024
Administration Income		326	199
		286,346	**254,436**
Benefits payable	8	259,911	267,053
Payments to and on account of leavers	9	18,589	13,119
Administration expenses	10	4,778	4,107
		283,278	**284,279**
Net additions/(withdrawals) from dealing with members		**3,068**	**(29,843)**
Return on Investments:			
Investment Income	11	88,540	91,070
Profit and losses on disposal of investments and change in market value of investments	13	330,903	35,962
Taxes on income	11	(1,988)	(1,453)
Investment management expenses	12	(10,300)	(11,225)
Net return on Investments		**407,155**	**114,354**
Net increase/(decrease) in the Fund during the year		410,223	84,511
Net Assets of the Fund start of the year		4,705,649	5,115,872
Net Assets of the Fund end of the year		**5,115,872**	**5,200,383**

NET ASSETS STATEMENT **For the year ended 31 March 2012**	**Note**	**2010/11** **£000**	**2011/12** **£000**
Investment Assets	13		
Equities		1,725,620	1,514,762
Pooled Investment Vehicles		2,960,106	3,216,404
Derivative Contracts		756	6,669
Direct Property		251,935	290,965
Short Term Cash Deposits		59,570	56,271
Other Investment Balances		89,555	75,895
		5,087,542	**5,160,966**
Investment Liabilities	16	**(37,114)**	**(15,338)**
		5,050,428	**5,145,628**
Long term assets	17	30,844	30,864
Current Assets	18	50,586	36,330
Current Liabilities	18	(15,986)	(12,439)
Net Assets of the Fund as at 31 March		**5,115,872**	**5,200,383**

NOTES TO THE PENSION FUND ACCOUNTS

1. GENERAL

Merseyside Pension Fund (MPF/the fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Wirral Council. Wirral Council is the reporting entity for this pension fund.

The following description of the fund is a summary only. For more detail, reference should be made to Merseyside Pension Fund Annual Report 2011/12 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

The fund is a contributory defined benefit pension scheme administrated by Wirral Council to provide pensions and other benefits for pensionable employees of the Merseyside Local Authorities and a range of other scheduled and admitted bodies. Teachers, police officers and fire fighters are not included as they come within other national pension schemes.

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in Merseyside Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.

- Admitted bodies, which are organisations that participate in the fund under an admission agreement between the fund and the relevant organisation.

Benefits are funded by employee and employer contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS and are matched by employers' contributions which are set based on triennial actuarial funding valuations.

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service. In May 2012 the Local Government Association announced the 2012 new LGPS proposals to take effect from 1 April 2014 subject to consultation. The new proposed scheme is a career average revalued scheme.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail price index to the consumer price index. This change took effect from 1 April 2011.

2. BASIS OF PREPARATION

Basis of Preparation
The Statement of Accounts summarises the fund's transactions for the 2011/12 financial year and its position at year end as at 31 March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the

United Kingdom 2011/12 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 on pages 167-168.

3. ACCOUNTING POLICIES

The financial statements have been prepared on an accruals basis, unless otherwise stated.

Contributions and benefits
Contributions are accounted for on an accruals basis. 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. Augmentation and pension strain payments due from employers in future years are accrued for.

Transfers to and from other schemes
Transfer payments relate to those early leavers whose transfers have been paid during the year plus an accrual for future payments in respect of members moving their service to other schemes under bulk transfer arrangements.

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.

Administration expenses
All administration expenses are accounted for on an accruals basis. All staff costs of the pensions team are charged direct to the fund. Management and other overheads are apportioned to the fund in accordance with council policy.

Investment management expenses
All investment management 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.

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.

The cost of obtaining investment advice from external consultants is included in investment management expenses.

Costs in respect of the internal investment team are classified as investment management expenses.

Property expenses
Property expenditure is accounted for in the calendar year.

Investment income
Income from equities is accounted for when the related investment is quoted ex dividend. Income from pooled investment vehicles and interest on short term deposits has been accounted for on an accruals basis. Distributions from associate and joint ventures are treated as return of capital until the book value is nil then treated as income on an accruals basis.

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.

Rental income
Rental income from properties is taken into account by reference to the periods to which the rents relate and is shown net of related expenses. The Fund accrues rent up to 24 March each year. Rent received on the Quarter Day, 25 March, is accounted for in full in the following year.

Valuation of investments
Financial assets are included in the net asset statement on a fair value basis as at the reporting date. The values of investments as shown in the net asset statement are determined as follows:
Listed securities are valued at quoted bid market prices on the final day of the accounting period. The bid price is the price which the fund would have obtained should the securities have been sold at that date.
For unlisted investments wherever possible valuations are obtained via the independent administrator. Valuations that are obtained direct from the manager are verified against the latest available audited accounts adjusted for any cash flows up to the reporting date.
Hedge funds and infrastructure are recorded at fair value based on net asset values provided by fund administrators or using latest financial statements published by respective fund managers adjusted for any cash flows.
Private equity valuations are in accordance with the guidelines and conventions of the British Venture Capital Association/International Private Equity guidelines or equivalent.
Indirect property is valued at net asset value or capital fair value basis provided by the fund manager and of listed funds net asset value per unit is obtained through data vendors.
Direct property is valued at fair value as defined by the IASB and market rent as set out in VS 3.3 of the Professional Standards, as at the reporting date. Direct properties have been valued independently by Colliers International in accordance with Royal Institute of Chartered Surveyors Valuation Professional Standards as at 31 March 2012.
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.

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.

Basis of estimates
Estimates for post year end outstanding items have been used for the following activities: payments of retirement grants, death grants and investment managers' fees

- 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
- investment managers' fees outstanding: estimated using the Fund's valuations as at 31 March 2012.

Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Hedge funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the hedge fund directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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 2012 was £1,021 million (£874 million at 31 March 2011).

5. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2012, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

6. CONTRIBUTIONS RECEIVABLE

	2010/11 £000	2011/12 £000
Employers		
Normal	165,836	100,690
Augmentation	45	145
Pension Strain	28,471	19,501
Deficit Funding	11,874	67,673
Employees		
Normal	60,521	55,204
	266,747	**243,213**
Relating to:		
Administering Authority	41,317	37,271
Statutory Bodies	187,628	171,379
Admission Bodies	37,802	34,563
	266,747	**243,213**

Employers normal contributions for 2012 no longer includes an element of past service deficit, as this is now shown under deficit funding. However, the 2011 employers normal contributions does include an element of past service deficit. The 2007 actuarial valuation calculated the average employer contribution rate of 17.8%, 12.1% was determined the average employer rate in respect of future service only and 5.7% for past service deficit.

"Augmentation" represents payments by employers to the Fund for the costs of additional membership benefits awarded under LGPS regulations. An accrual has been made for agreed future payments to the Fund.

"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" for 2012 includes payments by employers for past service deficit and additional payments by employers to reduce a deficit. However, the 2011 deficit funding represents additional payments by employers only as the past service deficit element was included in employers normal contributions. Also included is £1.4 million relating to Magistrates Courts (2010/11 £7.2 million) which was previously an active member of the Fund.

The fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2011/12 no such charges were levied.

7. TRANSFERS IN

	2010/11	2011/12
	£'000	**£'000**
Group transfers	4,609	169
Individual transfers	14,664	10,855
	19,273	**11,024**

8. BENEFITS PAYABLE

	2010/11 £000	2011/12 £000
Pensions	182,237	199,812
Lump sum retiring allowances	72,053	62,277
Lump sum death benefits	5,621	4,964
	259,911	**267,053**
Relating to:		
Administering Authority	40,647	40,995
Statutory Bodies	186,790	188,629
Admission Bodies	32,474	37,429
	259,911	**267,053**

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2010/11 £000	2011/12 £000
Refunds to members leaving service	15	7
Payment for members joining State scheme	1	3
Income for members from State scheme	(18)	(5)
Individual transfers to other schemes	18,591	13,114
	18,589	**13,119**

10. ADMINISTRATION EXPENSES

	2010/11 £000	2011/12 £000
Administration and processing	4,396	3,717
Actuarial fees	312	283
External audit fees	37	81
Internal audit fees	33	26
	4,778	**4,107**

External audit fees for 2011/12 includes fees for 2010/11.

11. INVESTMENT INCOME

	2010/11 £000	2011/12 £000
Dividends from Equities	58,027	55,447
Income from Pooled Investment Vehicles	9,005	15,448
Net Rents from Properties	17,242	15,960
Interest on Short Term Cash Deposits	705	369
Income from Associate and Joint Ventures	2,405	2,682
Income from Derivatives	257	349
Other	899	815
	88,540	**91,070**
Irrecoverable withholding tax	(1,988)	(1,453)
	86,552	**89,617**
Rents from properties		
Rental income	22,001	21,773
Direct operating expenses	(4,759)	(5,813)
Net rent from properties	**17,242**	**15,960**

Within investment income for 2011 £450,000 of dividends from equities has been reattributed to income from pooled investment vehicles.

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £1.8 million (2010/11 £1.6 million).

The fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, but is not accruing for future receipt of such income within these accounts. Repayments received in 2011/12 £68,344 (2010/11 nil).

As at 31 March 2012, £177.0 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £185.7 million, giving a margin of 4.9%. Collateral is marked to market, and adjusted daily. Income from stock lending amounted to £739,965 and is included within "Other" Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

The risks associated with stocklending are set out in the fund's "Statement of Investment Principles".

12.INVESTMENT MANAGEMENT EXPENSES

	2010/11 £000	2011/12 £000
External management fees	9,197	10,277
External services	707	638
Internal management costs	396	310
	10,300	**11,225**

13. INVESTMENTS

	Market Value 31.3.2011 £000	Purchases at cost & Derivative Payments £000	Sale Proceeds & Derivative Receipts £000	Change in Market Value * £000	Market Value 31.3.2012 £000
Equities	1,725,620	716,073	(849,852)	(77,079)	1,514,762
Pooled Investment Vehicles	2,960,106	487,686	(349,177)	117,789	3,216,404
Derivative Contracts	756	109,632	(99,993)	(3,726)	6,669
Direct Property	251,935	41,447	-	(2,417)	290,965
	4,938,417	**1,354,838**	**(1,299,022)**	**34,567**	**5,028,800**
Short term cash deposits	59,570	-	-	67	56,271
Other investment balances	89,555	-	-	1,328	75,895
	5,087,542	**-**	**-**	**35,962**	**5,160,966**

*Note: The change in market value of investments during the year comprises all realised and unrealised appreciation and depreciation. For 2010/11 purchases £2.4 billion and sales of £2.4 billion.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties. They have been added to purchases and netted against sales proceeds as appropriate. Transaction costs during the year amounted to £1.7 million (2010/11 £2.1 million). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the Fund.

13a Analysis of investments

	2010/11 £000	2011/12 £000
Equities (segregated holdings)		
UK Quoted	855,304	678,776
Overseas Quoted	870,316	835,986
	1,725,620	**1,514,762**
Pooled Investment Vehicles		
UK Managed Funds:		
Property	26,000	24,208
Equities	224,555	193,450
Private Equity	143,309	161,631
Hedge Funds	48,818	56,939
Corporate Bonds	188,279	186,523
Infrastructure	26,992	47,966
Opportunities	96,680	129,629
Overseas Managed Funds:		
Equities	292,919	267,703
Private Equity	97,198	104,008
Hedge Funds	176,358	173,771
Infastructure	11,321	18,316
Opportunities	18,370	57,750
UK Unit Trusts:		
Property	80,337	84,444
Overseas Unit Trusts:		
Property	57,863	51,315
Unitised Insurance Policies	1,471,107	1,658,751
	2,960,106	**3,216,404**
UK properties		
Freehold	211,761	249,387
Leasehold	40,174	41,578
	251,935	**290,965**
Balance at 1 April	210,225	251,935
Additions	42,722	41,447
Disposals	(10,317)	-
Net gain/loss of fair value	(653)	-
Transfers in/out	-	-
Other changes in fair value	9,958	(2,417)
Balance at 31 March	**251,935**	**290,965**

As at 31 March 2012 there were no amounts of restrictions on the realisability of investment property or of income and proceeds of disposal.

Contractual obligations for development, repairs and maintenance amounted to £2.5 million. There were no obligations to purchase new properties.

	2010/11 £000	2011/12 £000
Short term cash deposits		
Sterling	59,570	55,316
Foreign curency	-	955
	59,570	**56,271**

Short term deposits only cover cash balances held by the Fund. Cash held by investment managers awaiting investment is shown under “other investment balances”.

	2010/11 £000	2011/12 £000
Other investment balances		
Amounts due from brokers	257	349
Outstanding trades	35,523	7,018
Outstanding dividends entiltlements and recoverable withholding tax	16,034	17,081
Cash deposits	37,741	51,447
	89,555	**75,895**

13b Impairment on Icelandic deposits

At the time Iceland banks collapsed in October 2008, the fund had two investments £2.5 million with Heritable Bank and £5 million with Glitnir Bank.

The administrators for Heritable Bank estimated that the total amount to be received was to be between 86% and 90% of the claim. The Fund has therefore decided to recognise an impairment based on it recovering the mid point 88%. As at 31 March 2012 the fund had received dividend payments totalling £1.7 million.

In December 2011, the courts determined that local authority deposits with Glitnir Bank qualified for priority status. In March 2012, 81 pence in the £ was recovered and the remaining 19% remains held in Icelandic Krona in an escrow account. An impairment charge of £338,477 against accrued interest has been recognised in the Fund Account in 2011/12.

The total amount of accrued interest is £183,933 (2010/11 £385,653).

13c Analysis of derivatives

Derivatives as at 31 March 2012		**£000**	**£000**
Futures			
Type of Contract	**Expires**	**Economic Exposure**	**Market Value**
Assets			
EURO STOXX 50 Index Futures	Jun-12	3,474	347
Swiss Market Index Futures	Jun-12	933	93
Total Assets			**440**
Liabilities			-
Total Liabilities			-
Net futures			**440**
Derivatives as at 31 March 2011		**£000**	**£000**
Futures			
Type of Contract	**Expires**	**Economic Exposure**	**Market Value**
Assets			
EURO STOXX 50 Index Futures	Jun-11	2,694	269
Total Assets			**269**
Liabilities			-
Total Liabilities			-
Net futures			**269**

A futures contract is the obligation under a legal agreement to make or take delivery of a specified instrument at a fixed future date, at a price determined at the time of dealing. Merseyside Pension Fund's index futures contracts are externally managed and their objective is to hedge overseas investment positions against adverse index movements.

Futures dealing requires the posting of margin. Initial margin which must be posted before you can trade and variation margin, the mark-to-market value of the futures contracts you hold. Variation margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral is held in EUR, CHF and GBP currency and the Sterling equivalent is £104,088. DJ Euro STOXX 50 and Swiss Index Futures have a contract multiplier of x10 therefore the notional value underlying the futures contracts is £4.4 million.

Forward currency contracts

The funds 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 17,531	GBP 11,424	72	-
Up to one month	GBP 8,275	AUD 12,713	-	(71)
Up to one month	EUR 62,092	GBP 53,473	4,368	-
Up to one month	GBP 50,426	EUR 58,660	-	(4,370)
Up to one month	HKD 14,816	GBP 1,197	-	-
Up to one month	GBP 1,271	MYR 6,235	-	-
Up to one month	SGD 6,224	GBP 3,139	-	-
Up to one month	GBP 3,502	SGD 7,025	-	-
Up to one month	GBP 745	SEK 7,700	-	-
Up to one month	CHF 21,149	GBP 14,753	1,200	-
Up to one month	GBP 16,172	CHF 23,280	-	(1,202)
Up to one month	GBP 194	THB 9,626	-	-
Up to one month	USD 9,178	GBP 5,613	-	-
Up to one month	GBP 5,424	USD 8,745	-	-
			5,640	(5,643)
Net forward currency contracts at 31 March 2012				(3)
Prior year comparative				
Open forward currency contracts at 31 March 2011			18	-
Net forward currency contracts at 31 March 2011				18

Options

Type of Option	Expires	Underlying Investment	Notional Holding £000	Market value 31 March 2011 £000	Notional Holding £000	Market value 31 March 2012 £000
Purchased Call	October 2012	Etihad Etisalat Co SAR 10.00	469	469	598	589

A call option is an agreement that gives an investor the right (but not the obligation) to buy a stock, bond, commodity, or other instrument at a specified price within a specific time period. The funds only call exposure is a residual holding from a manager transition.

13d Summary of Managers' Portfolio Values at 31 March 2012

	2010/11		2011/12	
Externally Managed	**£m**	**%**	**£m**	**%**
JP Morgan (European equities)	192	3.8	175	3.4
UBS (US equities)	417	8.2	401	7.8
Nomura (Japan)	201	4.0	204	3.9
Schroders (fixed income)	189	3.7	187	3.6
Legal & General (pooled assets - UK and Emerging Markets equities & index linked)	859	16.9	1,035	20.1
Legal & General (fixed income)	195	3.8	223	4.3
Unigestion (European equities)	147	2.9	141	2.7
M&G (UK equities)	167	3.3	171	3.3
M&G (global emerging markets)	134	2.6	127	2.5
TT International (UK equities)	148	2.9	156	3.0
Blackrock (UK equities)	165	3.2	168	3.2
Blackrock (Pacific Rim)	110	2.2	104	2.0
Newton (UK equities)	135	2.7	138	2.7
Amundi (global emerging markets)	139	2.7	124	2.4
Maple-Brown Abbot (Pacific Rim equities)	104	2.0	101	2.0
	3,302	**64.9**	**3,455**	**66.9**
Internally Managed				
UK equities	481	9.4	270	5.2
European equities	144	2.8	127	2.5
Property (direct)	252	5.0	291	5.6
Property (indirect)	172	3.4	166	3.2
Private equity	241	4.7	266	5.2
Hedge funds	225	4.4	237	4.6
Infrastructure	38	0.8	66	1.3
Opportunities	115	2.3	196	3.8
Short term deposits & other investments	117	2.3	87	1.7
	1,785	**35.1**	**1,706**	**33.1**
	5,087	**100.0**	**5,161**	**100.0**

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

	2010/11		2011/12	
	£000	**%**	**£000**	**%**
Legal & General pooled UK index linked gilts	487,795	9.7	575,949	11.2
UBS USA equity tracker	417,291	8.3	401,274	7.8
Legal & General pooled UK equities	371,470	7.4	410,018	8.0

14. FINANCIAL INSTRUMENTS

14a Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net asset statement heading.

	31 March 2012		
	Loans and receivables	Financial liabilities at amortised cost	Designated as at fair value through profit and loss
	£000	£000	£000
Financial Assets			
Equities	-	-	1,514,762
Pooled Investment Vehicles	-	-	3,216,404
Derivatives	-	-	6,669
Cash deposits	56,271	-	-
Other investment balances	-	-	75,895
Debtors	67,194	-	-
Total financial assets	**123,465**	**-**	**4,813,730**
Financial Liabilities			
Other investment balances	-	-	15,338
Creditors	-	12,439	-
Total financial liabilities	**-**	**12,439**	**15,338**
Net	**123,465**	**(12,439)**	**4,798,392**

	31 March 2011		
	Loans and receivables	Financial liabilities at amortised cost	Designated as at fair value through profit and loss
	Restated	Restated	Restated
	£000	£000	£000
Financial Assets			
Equities	-	-	1,725,620
Pooled Investment Vehicles	-	-	2,960,106
Derivatives	-	-	756
Cash deposits	59,570	-	-
Other investment balances	-	-	89,555
Debtors	81,430	-	-
Total financial assets	**141,000**	**-**	**4,776,037**
Financial Liabilities			
Other investment balances	-	-	37,114
Creditors	-	15,986	-
Total financial liabilities	**-**	**15,986**	**37,114**
Net	**141,000**	**(15,986)**	**4,738,923**

14b Net gains and losses on financial instruments

	2010/11 £000	2011/12 £000
Financial Assets		
Fair Value through profit and loss	321,598	38,312
Loans and receivables	-	67
Total financial assets	**321,598**	**38,379**
Financial Liabilities		
Fair Value through profit and loss	-	-
Financial liabilities at amortised cost	-	-
Total financial liabilities	**-**	**-**
Net	**321,598**	**38,379**

14c Fair value of financial instruments and liabilities

	2010/11		2011/12	
	Carrying value £000	Fair Value £000	Carrying value £000	Fair Value £000
Financial Assets				
Fair Value through profit and loss	3,831,197	4,776,037	3,961,786	4,813,730
Loans and receivables	141,000	141,000	123,465	123,465
Total financial assets	**3,972,197**	**4,917,037**	**4,085,251**	**4,937,195**
Financial Liabilities				
Fair Value through profit and loss	37,114	37,114	15,338	15,338
Financial liabilities at amortised cost	15,986	15,986	12,439	12,439
Total financial liabilities	**53,100**	**53,100**	**27,777**	**27,777**

The above table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values. The carrying value is the book cost and the fair value is market value.

14d Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classed into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the market quotation of the relevant stock exchange.

Level 2

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

Level 3

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

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Merseyside Pension Fund has invested.

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

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets and liabilities 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 2012	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Financial assets at fair value through profit and loss	1,938,397	2,066,665	808,668	4,813,730
Loans and receivables	123,465	-	-	123,465
Total financial assets	2,061,862	2,066,665	808,668	4,937,195
Financial liabilities				
Financial liabilities at fair value through profit and loss	15,338	-	-	15,338
Financial liabilities at amortised cost	12,439	-	-	12,439
Total financial liabilities	27,777	-	-	27,777
Net financial assets	**2,034,085**	**2,066,665**	**808,668**	**4,909,418**

Values at 31 March 2011	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	2,194,139	1,896,995	684,903	4,776,037
Loans and receivables	141,000	-	-	141,000
Total financial assets	2,335,139	1,896,995	684,903	4,917,037
Financial liabilities				
Financial liabilities at fair value through profit and loss	37,114	-	-	37,114
Financial liabilities at amortised cost	15,986	-	-	15,986
Total financial liabilities	53,100	-	-	53,100
Net financial assets	**2,282,039**	**1,896,995**	**684,903**	**4,863,937**

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The fund's objective is to achieve a funding level position of 100% whilst minimising the level and volatility of employer contributions. Investment strategy is decided with clear reference to this objective.

Over the long term, the fund's objective is to set policies that will seek to ensure that investment returns achieved will at least match the assumptions underlying the actuarial valuation and therefore be appropriate to the liabilities of the fund.

Having regard to its liability profile, the fund has determined that adopting a bespoke benchmark should best enable it to implement an effective investment strategy. This strategic benchmark is reviewed every three years, at a minimum, at the time of the actuarial valuation but will be reviewed as required particularly if there have been significant changes in the underlying liability profile or the investment environment.

The fund has carefully considered the expected returns from the various permitted asset classes and has concluded that in the longer term the return on equities will be greater than from other conventional assets. Consequently, the benchmark is biased towards equities and skewed towards active management, particularly in less developed markets.

The fund is also cognisant of the risk that the shorter term returns may vary significantly from one period to another and between the benchmark and actual returns. Diversification of assets is seen as key to managing this risk and the risk/return characteristics of each asset and their relative correlations are reflected in the make up of the strategic benchmark.

The fund believes that, over the long term, a willingness to take on volatility and illiquidity is likely to be rewarded with outperformance. The fund considers that its strong employer covenant, maturity profile and cash flows enable it to adopt a long term investment perspective. A mix of short term assets such as bonds and cash is maintained to cover short term liabilities while equities (both passive and active), private equity and direct property are held to benefit from the potential rewards arising from volatility and illiquidity risks. The fund recognises that risk is inherent in investment activity and seeks to manage the level of risk that it takes in an appropriate manner. The fund manages investment risks through the following measures:

- Broad diversification of types of investment and investment managers
- Explicit mandates governing the activity of investment managers.
- The use of a specific benchmark, related to liabilities of the fund for investment asset allocation
- The appointment of independent investment advisors to the Investment Monitoring Working Party
- Comprehensive monitoring procedures for investment managers including internal officers and scrutiny by elected Members

Market Risk

The fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The general practice to quantify these risks is to measure the volatility of historical performance. The tables below show the fund's exposure to asset classes and their reasonable predicted variance (as provided by the fund's investment consultants) and the resulting potential changes in net assets available to pay pensions. The figures provided are a forward looking assumption of future volatility based on analysis of previous performance and probability

The first table below shows the values of different financial instruments for 2010/11 and 2011/12 with no material difference in the values.

	2010/11 £m	**2011/12 £m**
UK Equities (all equities include pooled vehicles)	1,452	1,283
US Equities	417	404
European Equities	477	443
Japan Equities	201	204
Emerging Markets Equities inc Pac Rim	485	454
UK Fixed Income Pooled Vehicles	383	458
UK Index Linked Pooled Vehicles	488	576
Pooled Property	164	161
Private Equity	241	264
Hedge Funds	225	231
Infrastructure	38	66
Other Alternative Assets	115	187
Short term deposits & other investment balances	178	178
	4,864	**4,909**

	Value March 2012 £m	Potential Variance	Value on increase £m	Value on decrease £m
UK Equities (all equities include pooled vehicles)	1,283	22.5%	1,572	994
US Equities	404	21.0%	489	319
European Equities	443	22.5%	543	343
Japan Equities	204	22.5%	250	158
Emerging Markets Equities inc Pac Rim	454	31.5%	597	311
UK Fixed Income Pooled Vehicles	458	10.0%	504	412
UK Index Linked Pooled Vehicles	576	9.0%	628	524
Pooled Property	161	16.0%	187	135
Private Equity	264	29.0%	341	187
Hedge Funds	231	8.0%	249	213
Infrastructure	66	16.0%	77	55
Other Alternative Assets	187	22.5%	229	145
Short term deposits & other investment balances	178	0.0%	178	178
	4,909		**5,843**	**3,975**

Credit Risk

The fund does not hold any fixed interest securities directly and the managers of the pooled fixed income vehicles are responsible for managing credit risk, section a of this note covers the market risks of these holdings.

The fund's arrangements for derivatives, securities lending and impaired items are dealt with in other notes to the accounts.

The short term cash deposits and other investment balances are diversified with investment grade financial institutions. The fund has a treasury management policy that is compliant with current best practice.

Liquidity risk

The fund's key priority is to pay pensions in the long term and in the short term and the asset allocation is the key strategy in ensuring this. The earlier sections have dealt with the longer term risks associated with market volatility.

To ensure liquidity for payment of pensions the fund has an allocation of 1% to cash; £56 million is the actual figure at balance sheet date which equates to over 2 months of pensions payments. The fund also has £3,846m in assets which could be realised in under a months notice

The fund has no borrowing or borrowing facilities.

The management of the fund also prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. Whilst the fund has a net withdrawal for 2011/12 in its dealing with Members of £29 million, this is offset by investment income of £91 million.

16. INVESTMENT LIABILITIES

	2010/11 £000	2011/12 £000
Derivative contracts	-	5,644
Amounts due to stockbrokers	37,114	9,694
	37,114	**15,338**

17. LONG TERM ASSETS

	2010/11 £000	2011/12 £000
Assets due in more than one year	30,844	30,864
	30,844	**30,864**
Relating to:	Restated	
Central Government Bodies	5,969	5,535
Other Local Authorities	16,533	23,230
NHS	-	-
Public Corporations and Trading Funds	6,785	285
Bodies External to General Government	1,557	1,814
	30,844	**30,864**

A debtor has been identified as being classed as a central government body. The 2011 debtors have been restated to take account of this change.

Payments are being received in respect of pensioner and deferred members of the Magistrates Courts, which was previously an active employer in the fund. Year 1 is shown as a current asset, but years 2 - 8 have been discounted at a rate of 4% and are included above. Also discounted are future payments of pension strain to be paid by employers in 2013/14 onwards.

18. CURRENT ASSETS AND LIABILITIES

	2010/11 £000	2011/12 £000
Assets		
Contributions due	24,280	24,824
Amounts due from external managers	10,831	-
Accrued and outstanding investment income	1,582	3,006
Transfer values receivable	3,264	-
Retirement grants paid in advance	36	-
Sundries	9,836	7,957
Provision for bad debts	(50)	(375)
Cash at bank	807	918
	50,586	**36,330**
Relating to:	Restated	
Central Government Bodies	887	1,272
Other Local Authorities	19,946	19,994
NHS	-	2
Public Corporations and Trading Funds	2,559	525
Bodies External to General Government	27,194	14,537
	50,586	**36,330**
Liabilities		
Transfer values payable	-	-
Retirement grants due	4,408	1,775
Provisions	873	602
Miscellaneous	10,705	10,062
	15,986	**12,439**
Relating to:		
Central Government Bodies	2,737	2,292
Other Local Authorities	3,564	1,380
NHS	-	-
Public Corporations and Trading Funds	855	16
Bodies External to General Government	8,830	8,751
	15,986	**12,439**
Total current assets and liabilities	**34,600**	**23,891**

"Sundries" mainly covers general debtors, property arrears due, agents' balances and recoverable taxation.

"Provision for bad debt" relates to property rental income, and is based on an assessment of all individual property debts as at 31 March 2012.
The main components of "Miscellaneous Liabilities" are the outstanding charges for investment management fees, payable quarterly in arrears, custodial and actuarial fees, plus income tax due, pre-paid rent and administering authority re-imbursement.

A number of debtors have been identified as being classed as bodies external to general government. The 2011 debtors have been restated to take account of this change.

19. CONTRACTUAL COMMITMENTS

Commitments for investments amounted to £285.7m as at 31 March 2012. (2010/11 £187.7 million). These commitments relate to Private Equity £159.8 million, Infrastructure £72.9 million, Opportunities £9.1 million, Indirect Property £43.9 million. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

20. CONTINGENT ASSETS

When determining the appropriate fund policy for employers the different participating characteristics as either a contractor or community body or whether a guarantor of sufficient financial standing agrees to support the pension obligations is taken into consideration when setting the fiduciary strategy.

It is the policy to actively seek mechanisms to strengthen employer covenants by engaging "contingent assets" in the form of bonds/indemnity insurance, local authority guarantors, parent company guarantors or charge on assets to mitigate the risk of employers exiting the Fund leaving unrecoverable debt.

These financial undertakings are drawn in favour of Wirral Borough Council, as the Administrating Authority of Merseyside Pension Fund and payment will only be triggered in the event of employer default.

21. 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.

Administration and investment management costs include charges by Wirral Council in providing services in its role as administering authority to the Fund, which amount to £3.8 million. (2011 £4.9 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 £14.8 million and creditor £276,680 balances as at 31 March 2012.

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 in respect of March 2012 payroll are included within the debtors figure in note 18.

A specific declaration has been received from Pension Committee Members and principal officers regarding membership of, and transactions with, such persons or their related parties. A number of Members act as Councillors or Board members of particular scheme employers, listed below, who maintain a conventional employer relationship with the Fund:

Liverpool City Council, Knowsley Council, Sefton Council and St Helens Borough Council, all of whose Councillors may become scheme members, Wirral Council, Liverpool John Moores University, CDS Housing, Greater Hornby Homes and Wirral Partnership Homes. 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.

Patrick Dowdall, Investment Manager - Alternatives, acts in an un-remunerated advisory capacity on 6 investment bodies in which the fund has an interest, Standard Life (£7.3m), F&C (£2.1m) and Palatine previously called Zeus (£3.7m), by whom travel expenses and accommodation were paid, plus Key Capital (£3.9m) Enterprise (£1.8m) and Capital Dynamics (£90.7m). New commitments to these funds during 2011/12 were as follows: Standard Life £10m, F&C £7.5m, Palatine £10m, Key Capital £2m and Capital Dynamics £38m approved at Pensions Committee 23 March 2011 and 20 March 2012.

Owen Thorne, Investment Officer acts in an un-remunerated board member capacity at Institutional Investors Group on Climate Change (IIGCC), to which the fund pays an annual subscription.

Each member of the Pension Fund Committee formally considers conflicts of interest at each meeting.

Key management personnel

The posts of Director of Finance, Deputy Director of Finance and Head of Pension Fund are deemed to be key management personnel with regards to the pension fund. The financial value of their relationship with the fund (in accordance with IAS24) are set out below:

	2010/11 £000	2011/12 £000
Short term benefits*	318	309
Long term/post retirement benefits**	1,559	1,686
Total	**1,877**	**1,995**

* This is the pensions element of short term remuneration for key management personnel, i.e. annual salary, benefits in kind and employer contributions.

** This is the accrued pension benefits, expressed as cash equivalent transfer value.

22. ADDITIONAL VOLUNTARY CONTRIBUTION INVESTMENTS

The Committee holds assets invested separately from the main fund. In accordance with regulation 5 (2) (c) of the Pensions Schemes (Management and Investment of Funds) Regulations 1998, these assets are excluded from the Pension Fund accounts.

The Scheme providers are Equitable Life, Standard Life and Prudential. Individual members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year.

	2010/11 £000	2011/12 £000
The aggregate amount of AVC investments is as follows :		
Equitable Life	2,898	2,596
Standard Life	6,035	5,683
Prudential	4,079	4,477
	13,012	**12,756**
Changes during the year were as follows:		
Contributions	1,705	1,677
Repayments	3,544	2,278
Change in market values	517	345

23. BACKGROUND INFORMATION

Merseyside Pension Fund operates the Local Government Pensions Scheme (LGPS) which provides for the occupational pensions of employees (other than teachers, police officers and fire fighters) of the local authorities within the Merseyside Area. The current contributing employers are shown below. As at 31 March 2012, there were 45,521 active members (March 2011 47,554), 44,118 pensioners and dependents (March 2011 42,439), and 32,912 deferred beneficiaries (March 2011 31,361). Membership statistics quoted for March 2011 are adjusted for the provision of late notification of retirements, leavers with deferred benefits and other work in progress at the time of reporting last year.

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2011/12 included 10 councillors from Wirral Council, the Administering authority, plus one councillor from each of the 4 other Borough Councils, and one member representing the other employers in the scheme. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by the Investment Monitoring Working Party, which includes an external adviser and a consultant. In 2010/11 a Governance and Risk Working Party was established.

The Pensions Committee annually reviews its Statement of Investment Principles. The principles ensure that the Fund's investments would continue to be determined by all relevant considerations including the Council's fiduciary duty to employing bodies and the Council taxpayer, rate of return, risk, environmental, social and governance considerations rather than a blanket policy of disinvestment from any specific industry or sector. The latest review was in March 2010, and is available on the Fund's website: mpfmembers.org.uk.

Under the LGPS Regulations, employer contributions are calculated by the Fund's actuary, having regards to the assumptions and methodology set out in the Fund's Funding Strategy Statement (FSS). The most recent Triennial Valuation by the actuary was as at 31 March 2010, when the funding level was 78% of projected actuarial liabilities. The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The FSS specifies a maximum period for achieving full funding of 25 years.

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

The table below sets out the summary of the market (gilts) yields at the valuation date, together with the yields at the date of the previous valuation:

	31 March 2010	**31 March 2007**
Long-dated gilt yield	4.50%	4.40%
Long-dated index-linked gilt yield	0.07%	1.30%
Market expectation for inflation (long term)	3.80%	3.10%

The assumptions to which the valuation results are particularly sensitive are:-

	2010 Funding Target
Investment Return pre-retirement	6.50%
Investment Return post-retirement	5.50%
Salary increases	4.50%
Pension increases in payment	3.00%
Non-retired members mortality	Pension Annuity 92 Medium Cohort Year of Birth tables + 2 years
Retired members mortality	Continuous Mortality Investigation (CMI) Self-Administered Pension Schemes (SAPS) tables with scheme and member category specific adjustments

The outcomes of the next Triennial Valuation, as at March 2013 are expected in the Autumn of 2013.

Scheme Employers with Active Members as at 31 March 2012

Scheduled Bodies

Academy of St Francis
Arena & Convention Centre Liverpool
Belvedere Academy
Birkdale High School (Academy)
Birkenhead Sixth Form College
Blue Coat School (Academy)
Carmel College
Chesterfield High School (Academy)
De la Salle Academy (Academy)
Deyes High School (Academy)
Enterprise South Liverpool Academy
Formby High School (Academy)
Greenbank High School (Academy)
Halewood Parish Council
Hope Academy
Hugh Baird College
King George V College
Knowsley Community College
Knowsley M.B.C.
Knowsley Parish Council
Liverpool City Council
Liverpool Community College
Liverpool John Moores University
Maghull High School (Academy)
Merseyside Fire & Rescue Authority
Merseyside Integrated Transport Authority (MITA)
Merseyside Passenger Transport Executive (MPTE)
Merseyside Police Authority
Merseyside Valuation Tribunal
Merseyside Waste Disposal Authority
National Probation Service
North Liverpool Academy Ltd
Oldershaw Academy
Prenton High School for Girls (Academy)
Prescot Town Council
Rainford Parish Council
Rainhill Parish Council
Range High School (Academy)
Sefton M.B.C.
Southport College
St. Anselms College (Academy)
St. Edwards College (Academy)
St. Helens College
St. Helens M.B.C.
Sutton Academy
University Academy of Birkenhead
Upton Hall School (Academy)
Weatherhead High School (Academy)
West Kirby Grammar School (Academy)
Whiston Town Council

Wirral Council
Wirral Grammar School for Boys (Academy)
Wirral Grammar School for Girls (Academy)
Wirral Metropolitan College

Admission Bodies

Age UK - Liverpool
Agilisys Limited
Arriva North West
Arvato Public Sector Services Limited
Association of Police Authorities
Balfour Beatty Workplace Ltd
Beechwood and Ballantyne Housing Assoc.
Berrybridge Housing Ltd
Birkenhead Market Services Ltd
Birkenhead School (2002)
Capita Symonds (Sefton)
Care Quality Commission
Catholic Children's Society
CDS Housing
Cobalt Housing Ltd
COLAS
Compass (Scolarest) Liverpool Schools
Compass (Scolarest) Wirral Schools
Computacenter (UK) Ltd
Comtechsa Limited
Crime Reduction Initiatives
Elite Cleaning & Environmental Services Ltd
Enterprise (Liverpool Highways) Ltd
Enterprise Liverpool Cleansing
Enterprise Liverpool Neighbourhood Grounds
Geraud Markets Liverpool Ltd
Glendale (Liverpool Parks Services) Ltd
Glenvale Transport Ltd/Stagecoach.
Greater Hornby Homes
Greater Merseyside Connexions
Helena Partnerships Ltd.
Hochtief Liverpool Schools
Hochtief Wirral Schools
Kingswood Colomendy Ltd.
Knowsley Housing Trust
LACORS
Lee Valley Housing Association Ltd
Liberata (UK) Ltd.
Liverpool Association for the Disabled
Liverpool Citizens Advice Bureau
Liverpool Hope University
Liverpool Housing Trust
Liverpool Mutual Homes Ltd.
Liverpool Vision Limited
Local Government Association
Mack Trading

Merseyside Lieutenancy
Merseyside Society for Deaf People
Merseyside Welfare Rights
Merseyside Youth Association
Mouchel (2020 Knowsley Ltd)
Mouchel (2020 Liverpool/Parkman)
North Huyton New Deal New Future
North Liverpool Citizens Advice Bureau
Northgate Managed Services
Novas Group
Nugent Care
One Vision Housing Ltd.
Partners Credit Union
Port Sunlight Village Trust
RM Education PLC
Sefton Education Business Partnership
Sefton New Directions Ltd.
South Liverpool Housing Ltd
Southern Electric Co Ltd
Southern Neighbourhood Council
Taylor Shaw - King David
Taylor Shaw (Meols Cop)
University of Liverpool
Vauxhall Neighbourhood Council
Veolia ES Merseyside & Halton
Village Housing Association Ltd
Wavertree Citizens Advice Bureau
Welsh Local Government Association
Wirral Autistic Society
Wirral Citizens Advice Bureau
Wirral Partnership Homes Ltd

MERSEYSIDE PENSION FUND

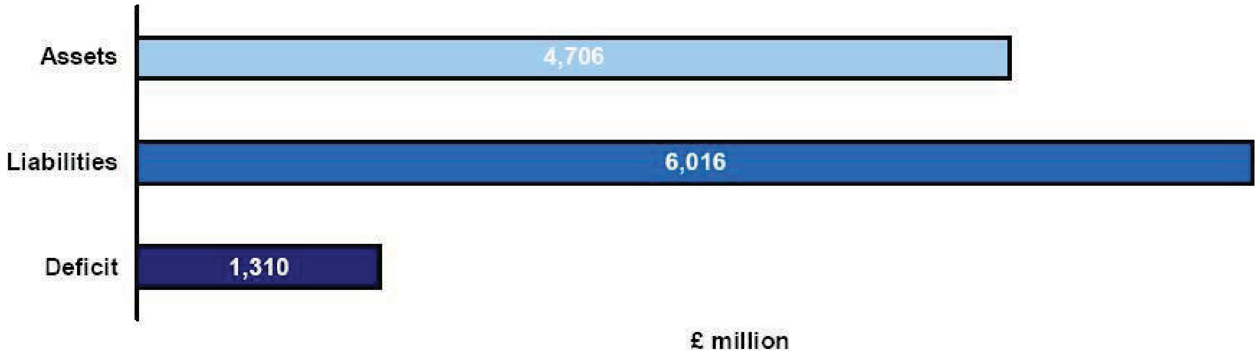
Accounts for the year ended 31 March 2012

Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014.

On the basis of the assumptions adopted, the Fund’s assets of £4,706 million represented 78% of the Fund’s past service liabilities of £6,016 million (the “Funding Target”) at the valuation date.



The valuation also showed that a common rate of contribution of 11.6% of pensionable pay per annum was required from employers. The common 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.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 6.4% of pensionable pay for 25 years. This would imply an average employer contribution rate of 18.0% of pensionable pay in total.

Further details regarding the results of the valuation are contained in our formal report on the actuarial valuation dated 30 March 2011.

In practice, each individual employer’s position is assessed separately and the contributions required are set out in our 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). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

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

	For past service liabilities (Funding Target)	**For future service liabilities (Common Contribution Rate)**
Rate of return on investments (discount rate)		
- pre retirement	6.5% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases	4.5% per annum	4.5% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.0% per annum	3.0% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of International Accounting Standard 26 (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:

	31 March 2011	**31 March 2012**
Rate of return on investments (discount rate)	5.5% per annum	4.9% per annum
Rate of pay increases	4.4% per annum	4.0% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.9% per annum	2.5% per annum

We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. Demographic assumptions are the same as those used for funding purposes.

On this basis, the value of the Fund's promised retirement benefits as at 31 March 2011 and 31 March 2012 were £6,720 million and £7,273 million respectively. During the year, corporate bond yields reduced significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.9% p.a. versus 5.5% p.a.), and in addition there was a reduction in inflation expectations (from 2.9% p.a. to 2.5% p.a.). The net effect of these changes is an increase in the Fund's liabilities for the purposes of IAS26 of about £249 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
August 2012

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Glossary of Financial Terms

GLOSSARY OF FINANCIAL TERMS

For the purpose of the Code of Practice the following definitions have been adopted.

ACCOUNTING POLICIES
Define the process whereby transactions and other events are reflected in the financial statements.

ACCRUALS
Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARIAL GAINS AND LOSSES
Changes in actuarial deficits or surpluses that arise because:
- Events have not coincided with the actuarial assumptions made at the last valuation;
- The actuarial assumptions have changed.

AMORTISATION
Amortisation is the equivalent of depreciation for intangible assets.

BUDGET
Statement of spending plans for the year.

BUSINESS RATES (also NON DOMESTIC RATES)
A levy on businesses based on national "rateable value" of the premises occupied. NDR is collected by the Council in line with national criteria, paid into a national pool and then redistributed to all local, fire and police authorities on the basis of population.

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

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)
This Institute produces Standards and Codes of Practice that must be followed in preparing the Council's financial statements.

CODE OF PRACTICE
Local Authorities in England must comply with the Code of Practice on Local Authority Accounting in the United Kingdom in preparing their financial statements.

COLLECTION FUND
Accounts required to be kept by the Council to record all income collected from local taxpayers, showing how this is passed on to other Local Authorities and Central Government.

CREDITORS
Organisations and individuals to whom the Council owes money.

CURRENT SERVICE COST (PENSIONS)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT
Curtailments show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

DEBTORS
Organisations and individuals who owe money to the Council.

DEFINED BENEFIT SCHEME
A pension or other retirement benefit scheme where the scheme's rules define the benefits.

DEPRECIATION
A charge representing the extent to which an asset has been worn out or used up 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.

GENERAL FUND
The main revenue fund of the Council. Day to day spending on services is met from the Fund.

GOVERNMENT GRANTS
There are two types of grant. Specific grants are for particular services such as Education. Others are non-specific and support services generally such as the Revenue Support Grant.

IMPAIRMENT
A reduction in the value of a fixed asset below the amount in the Balance Sheet.

INTANGIBLE ASSETS
Capital spend on items such as software licenses.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
The Standards establish broad rules and dictate specific accounting treatments. The Code of Practice interprets the Standards for local government.

MINIMUM REVENUE PROVISION (MRP)
The 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)
Another name for Business Rates and Non-Domestic Rates.

NET BOOK VALUE
The amount at which assets are included in the Balance Sheet i.e. their historical cost or current value less the cumulative amount provided for depreciation.

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

PRECEPT
Amount the Council is required to raise from Council Tax on behalf of other authorities.

PRIOR YEAR ADJUSTMENTS
These are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

PROVISIONS AND RESERVES
Amounts set aside in one year to cover expenditure in the future.

PUBLIC WORKS LOANS BOARD (PWLB)
A government body that provides loans to local authorities to fund capital expenditure.

REVENUE EXPENDITURE
This is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
This represents capitalisable items of expenditure where no asset exists but where the cost is to be amortised to revenue.

REVENUE SUPPORT GRANT (RSG)
This is a Government grant to fund Local Authority services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

SCHEME LIABILITIES
The liabilities of the Pension Fund for outgoings due in the future. Scheme liabilities reflect the benefits that the employer is committed to provide for service up to a set date.

SPECIFIC GOVERNMENT GRANTS
Grants to fund particular services and may be revenue or capital in nature.

UNAPPORTIONABLE CENTRAL OVERHEADS
Overheads for which no user receives any specific benefit and the costs are not apportioned to services.

USEFUL LIFE
The period over which the local Council will derive benefits from the use of an asset.

Further Information and Feedback

FURTHER INFORMATION AND FEEDBACK

Wirral Council produces the following documents that relate to its plans and finances. Copies of all these documents are available on the Wirral website at www.wirral.gov.uk

CORPORATE PLAN

This document sets out the Council's strategy and direction for the next 5 years.

COUNCIL TAX EXPLAINED

This booklet is issued annually with the Council Tax bills and sets out the plans for the coming year.

STATEMENT OF ACCOUNTS

We welcome your comments on the Statement of Accounts and the information it contains. They will be used to improve future publications.

Was the document useful in helping you understand the Council's finances?

YES **NO**

Would you like to see more information?

YES **NO**

Please write any other comments below:

Please send any responses to Jenny Spick at Financial Services Division, Finance Department, Treasury Building, Cleveland Street, Birkenhead, CH41 6BU.
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WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

19 SEPTEMBER 2012

SUBJECT	**ANNUAL GOVERNANCE STATEMENT**
WARD/S AFFECTED	**ALL**
REPORT OF	**DIRECTOR OF FINANCE**
RESPONSIBLE PORTFOLIO HOLDER	**COUNCILLOR PHIL DAVIES**
KEY DECISION	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2003 (amended 2006 and 2011). This report explains the requirement for the Authority to produce the AGS declaring the degree to which it meets the Governance Framework.

1.2 Cabinet considered the AGS on 21 June 2012 and, with an amendment to the conclusion, agreed to be appended to the Statement of Accounts 2011/12. The AGS has been revised to provide further information and the revised Statement is presented for approval at Appendix A. Sections 2.12 and 2.13 of this report proving an explanation of the changes.

2.0 BACKGROUND AND KEY ISSUES

2.1 Regulation 4 of the Accounts and Audit Regulations 2003 required councils to review the effectiveness of their system of internal control and to publish a Statement on Internal Control (SIC) with the Financial Statements of the Local Authority each year. It also requires the findings of the review to be considered by a Committee of the Council.

2.2 The Accounts and Audit Regulations 2003 were amended in 2006, and CIPFA/SOLACE produced the Delivering Good Governance in Local Government Framework (the Framework). This required the production and publication of an AGS by the Council to replace and subsume the Statement on Internal Control from 2008.

Governance

2.3 Governance is about how the Authority ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes and controls, cultures and values, by which the Authority is directed and controlled and through which it accounts to, engages with, and, where appropriate leads the community (Source: CIPFA/SOLACE Delivering Good Governance in Local Government) June 2007.

2.4 Effective governance arrangements ensure that:

- Authority policies are implemented in practice;
- Authority values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Financial statements and other published information are accurate and reliable;
- Human, financial and other resources are managed efficiently and effectively;
- High-quality services are delivered efficiently and effectively.

2.5 The Framework identifies six core principles of good governance:

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

2.6 Taking account of the above, local authorities are expected to undertake the following:

- Review their existing governance arrangements against the Framework.
- Maintain an up to date local Code of Governance, including arrangements for ensuring its ongoing application and effectiveness.
- Prepare an AGS to report publicly on the extent to which they comply with the principles.

Process

2.7 Within the Council there is an existing, well established process for the review of the control system and preparation of the AGS, managed by Internal Audit and reported to the Corporate Governance Group and the Audit and Risk Management Committee.

2.8 Whilst Internal Audit is responsible for undertaking the assurance work, it is important to recognise that this is not a document owned by the audit function but an Authority statement on the effectiveness of its governance processes.

2.9 The process includes:

a. Reviewing key governance processes, covering such areas as: responsibilities of Members and Chief Officers; adequacy of performance management; partnership working; and risk management.
b. Reviewing reports completed by external review agencies, so as to ensure that key findings are considered for inclusion in the AGS and that appropriate actions have been taken or are planned to address any issues highlighted.
c. Requesting Chief Officers and Managers to review and comment upon their areas of responsibility so as to provide assurance that key governance processes are robust.

The AGS 2011/12

2.10 The AGS was agreed by the Audit & Risk Management Committee on 13 March 2012 and endorsed by the Improvement Board on 27 April 2012. Cabinet on 21 June 2012 resolved: ''That subject to any material change to the control environment or corporate governance arrangements of the Council and the addition of the statement proposed by Councillor McLachlan in the conclusion (which made reference to the Audit Commission report in the Public Interest relating to Highways and Engineering Services) The Annual Governance Statement 2011/12 be appended to the Statement of Accounts 2011/12.'''

2.11 During the period prior to the consideration of the AGS, and since that time, the Council has received additional information through external reports which requires that the previously presented AGS required updating. The response to the various reports has progressed with the preparation of the detailed Wirral Improvement Plan. This Plan having been endorsed by the Improvement Board was approved by Cabinet on 6 September 2012. Therefore the AGS, whilst reflective of the position when originally compiled, required updating to better reflect the position at September 2012 which is the time of producing the Statement of Accounts 2011/12.

2.12 In the Audit Commission Annual Governance Report, as at 3 September 2012, the District Auditor stated that ''in my opinion the Annual Governance Statement presented for audit does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 because it does not adequately or accurately describe the governance framework and review of effectiveness nor address the weaknesses in the internal control environment highlighted in the Council's Improvement Plan'. His report recommended that the AGS be revised to ensure it:-

- reflects compliance with the CIPFA/SOLACE publication.
- is consistent with other information on governance that is available to the Council.

2.13 The AGS 2011/12 appended to the Statement of Accounts 2011/12 published on 29 June 2012 has been updated and the revised Statement is at Appendix A. The main changes relate to:-

Section 4 : Review of Effectiveness

This section previously contained a number of descriptions which have been integrated with Section 3 which describes the Governance Environment with Section 4 enhanced to provide more detailed comments on the effectiveness of the arrangements. This now includes the comments in respect of Internal Control, Internal Audit and External Reviews with the latter bringing the AGS up to date with the reports received post-March 2012 including the Grant Claims and Returns Report 2010/11, the Highways and Engineering Services Public Interest Report and the outcomes of the Peer Challenge / Peer Review into Adult Social Services.

Section 5 : Significant Governance Issues

This section previously referred to the issues and the actions taken in response to the AKA ‘Wirral Borough Council’s Corporate Governance Arrangements: Refresh and Review’ presented to Cabinet on 22 September 2011 and areas for further work. This was updated and revised to highlight the significant issues flowing from the reports and findings identified in Section 4 and a new Section 6 Improvement Measures included to show the actions taken, and planned, which lead to the production and agreement of the Wirral Improvement Plan which has been appended to the AGS.

3.0 RELEVANT RISKS

3.1 Potential failure of the Council to comply with the statutory requirement of Regulation 4 of the Accounts and Audit Regulations 2003 (Amended 2006 and 2011). This could lead to adverse comment by the External Auditor in the Annual Governance Report.

3.2 Failure to manage risks identified may prejudice the achievement of corporate objectives.

4.0 OTHER OPTIONS CONSIDERED

4.1 The other option is to not amend the AGS presented to Cabinet on 21 June 2012 which is not considered an appropriate course of action.

5.0 CONSULTATION

5.1 Members of the Corporate Governance Group and the Executive Team have been involved in the development of the Annual Governance Statement and the Executive team in the refinement of the Statement.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising directly from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 There are none arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2003 (amended 2006 and 2011).

9.0 EQUALITIES IMPLICATIONS

9.1 There are none arising from this report and so an Equality Impact Assessment (EIA) is not required.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 RECOMMENDATION

12.1 That the revised Annual Governance Statement for 2011/12 be agreed.

13.0 REASON FOR RECOMMENDATION

13.1 The production of the AGS is necessary in order to meet fully the statutory requirements of Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006 and 2011).

13.2 The revised AGS better reflects the position of the Council at September 2012 when the Statement of Accounts 2011/12 are produced.

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APPENDICES

Appendix A - Annual Governance Statement 2011/12.

REFERENCE MATERIAL

- CIPFA The Annual Governance Statement: Meeting the Requirements of the Accounts and Audit Regulations 2003, incorporating Accounts and Audit (Amendment) (England) Regulations 2006: A Rough Guide for Practitioners (2007) (the "Rough Guide").
- CIPFA/SOLACE Delivering Good Governance in Local Government : Guidance Note and Framework (2007).
- Accounts and Audit Regulations (England) 2006.
- CIPFA Code of Practice for Internal Audit in Local Government 2006.
- CIPFA The Role of the Chief Financial Officer in Local Government 2010.
- CIPFA Application Note to Delivering Good Governance in Local Government: A Framework 2010.

SUBJECT HISTORY

Council Meeting	**Date**
Cabinet	21 June 2012
Improvement Board	27 April 2012
Audit and Risk Management Committee	13 March 2012
Cabinet	13 October 2011
Audit and Risk Management Committee	28 September 2011
Cabinet	14 April 2011
Audit and Risk Management Committee	28 March 2011
Cabinet	4 November 2010
Audit and Risk Management Committee	28 September 2010
Cabinet	22 July 2010
Audit and Risk Management Committee	30 June 2010
Cabinet	15 April 2010
Audit and Risk Management Committee	24 March 2010

ANNUAL GOVERNANCE STATEMENT 2011/12

1. Scope of Responsibility

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

1.2 In discharging this overall responsibility, Wirral 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.

1.3 The Merseyside Pension Fund (MPF) is part of the Local Government Pension Scheme and is administered by Wirral Council. This covers the pensionable employees of the Merseyside Local authorities and a range of other scheduled and admitted bodies. The MPF is subject to the governance framework of Wirral Council.

1.4 Wirral Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' June 2007. A copy of the code is on our website at www.wirral.gov.uk. This statement explains how Wirral Council meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2006 (amended 2011) in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, culture and values for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It can not eliminate all risk of not fully achieving policies, aims and objectives, and therefore provides a reasonable, rather than absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wirral Council policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

3. The Governance Environment

3.1 The CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’ June 2007 lays down principles of governance best practice. Key elements of the systems and processes which comprise the Council’s governance arrangements are described in the following paragraphs. Our assessment is based upon the CIPFA/SOLACE guidance.

3.2 Developing and Communicating our Purpose and Vision

- The development of the Authority’s purpose and vision is undertaken through corporate and business planning, linked to wider community planning for Wirral.

- Four key themes make up and provide the foundation for the Corporate Plan:

  “Your FAMILY”
  “Your NEIGHBOURHOOD”
  “Your ECONOMY”
  “Your COUNCIL”

- The Leader of the Council changed on a number of occasions during the financial year and it should be noted that no one party had a majority rule within Wirral during 2011/12. The elections in May 2012 resulted in the Council coming under a Labour administration. Whilst retaining the four key themes the proposed Draft Corporate Plan 2012/13 was subsequently amended by Council in April 2012 and revised again in July 2012.

- Wirral’s Local Strategic Partnership (LSP) Executive Board is in place to lead and develop the vision for the Borough of Wirral set out in the Sustainable Community Strategy. The LSP Executive Board provides strategic guidance to partner organisations and relevant partnerships operating within Wirral’s Strategic Partnership and works collaboratively to remove any barriers that hinder or otherwise prevent the vision for the Borough of Wirral being achieved.

3.3 Ensuring that users receive a high quality of service

- The Council’s Customer Access Strategy, which was updated during 2011, provides the direction and focus for all services to work together in achieving cost-effective and excellent services for the customer through specific actions and projects. The overall objectives of the Strategy are to improve the quality of life for Wirral people, working with our partners to deliver the best services we can in the most efficient and effective way. It directly supports the Corporate Plan’s aim of engaging and empowering individuals and communities in the design and delivery of council services.

- The Council has an objective performance management framework. The system is driven by the Corporate Plan, which focuses attention on corporate priorities. This is cascaded through departmental service plans, individual employee key issue exchanges and action plans. It is clearly laid out in the annual service and financial planning and performance management cycle.

- All performance indicators and projects contained within departmental plans are reported to the relevant Scrutiny Committee.

3.4 Measuring performance and value for money

- The Council has in place a Medium Term Financial Strategy, updated annually to support the medium term aims of the Corporate Plan. This ensures the economical, efficient and effective use of resources, and secures continuous improvement in the way in which its functions are exercised.

- A clear budget timetable is in place with regular monitoring meetings and liaison with the external auditors regarding the publication of the Council's accounts.

3.5 Roles and Responsibilities

- Policy and decision making is facilitated via a Cabinet Structure with Cabinet Member portfolios.

- Roles and responsibilities of the Executive members and all councillors, along with remuneration details, are clearly defined in the Constitution.

- Roles and responsibilities of all senior officers, along with remuneration details, are documented in contracts of employment and job specifications.

3.6 Member/Officer Relations

- The responsibility of the Chief Executive for all aspects of operational management is clearly stated in the Constitution.

- A Protocol on Member and Officer Relations is clearly stated within the Codes and Protocols of the Constitution.

- The Constitution includes the delegation of functions to individual Cabinet members.

- A full Scheme of Delegation is included in the Constitution.

3.7 Partnership Arrangements

- Clear terms of reference are available for specific partnerships setting out the roles and responsibilities of the partnership board along with its purpose.

- A Partnership Framework and Toolkit has been developed and approved, however it is yet to be publicised throughout the Authority.

- The local Code of Corporate Governance, detailing how the Authority complies with the principles of good governance, was reviewed and updated as part of the work programme following the AKA report.

3.8 Standards of Conduct

- The Council has a Standards Committee, which deals with matters relating to the conduct of Councillors, employees, complaints and probity issues, the terms of reference for which comply with latest guidelines from the Standards Board for England.

- The Chair of the Standards Committee is an independent member of the public. The number of independent members is three which meets the statutory requirement for 25% of the Committee to be independent.

- Steps are being taken to ensure appropriate action is taken to ensure the Council is in a position to discharge its duties and responsibilities in respect of Member standards as from 1 July 2012 arising under the Localism Act.

- There is a corporate conflict of interest form for completion by Members and Officers. Members' Conflict of Interest forms are available to the public online which adds to transparency.

- Financial Regulations and Contract Procedure Rules are contained within the Council Constitution.

3.9 Demonstrating the Values of Good Governance

- The transparency of the decision making process is served through the publication of agendas and minutes of all Council Committees, other than exempt items.

- Council call-in procedure allows members to 'call-in' decisions made by Committees of the Council for further consideration by the relevant review Committee.

- In order to meet statutory requirements Internal Audit reviews the operation of the internal control systems and this provides the basis of the Audit Annual Report which includes the audit assurance opinion.

- An Audit and Risk Management Committee, provides assurance about the adequacy of financial management, and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. It is independent of any other executive function.

3.10 Transparency of the Decision Making Process

- The Cabinet takes the Council's key decisions, but these are then subject to scrutiny.

- The public has access to all meeting minutes with the exception of exempt items.

- An Audit and Risk Management Committee provides independent assurance on risk management and control and the effectiveness of the arrangements the Council has for these matters.

- A corporate complaints procedure is in place.

- Codes of Conduct for Members and employees are in place.

3.11 Quality of Reporting

- All committee reports require the following sections to be completed:- Implications for voluntary, community and faith groups / Resource implications: Financial; IT; Staffing; and Assets / Legal implications / Equalities implications / Carbon reduction implications / Planning and community safety implications. For ease of reference details of the 'Subject History' are also required.

3.12 Risk Management

- A Corporate Risk Register is in place, which is monitored and reviewed on an ongoing basis, and the Authority has in place a Risk and Insurance Team. The Executive Team also review the Register on a regular basis.

- The Council has systems for identifying and evaluating all significant corporate risks, developed and maintained with the participation of those involved in planning and delivering services.

- A Confidential Reporting (Whistleblowing) Policy is in place along with a Grievance procedure for employees.

3.13 Use of legal powers to benefit citizens and communities

- Scheme of Delegation of functions to Officers, included within the Council Constitution, identifies the legal powers of officers.

- The Director of Law, HR & Asset Management is authorised to institute, defend or participate in any legal proceedings in any case where such action is necessary to give effect to decisions of the Council or in any case where he considers that such action is necessary to protect the Council's interests.

3.14 Development of members and officers

- All members receive an induction and attend a specifically organised event to introduce them to the Council and its departments.

- All employees are invited to a corporate and departmental induction.

- A 'Skills for Wirral' training and development programme is available tailored to both managers and employees. There are also currently three 'e-learning' courses which are mandatory for all staff: Equality and Diversity; Stress Awareness; and Fraud Awareness. In addition to these, Attendance Management e-learning is also mandatory for all managers.

3.15 Developing the capacity of people with governance responsibilities

- The Audit and Risk Management Committee undertakes an annual self assessment exercise, utilising CIPFA's checklist, in order to assess its role and effectiveness.

- The Key Issues Exchange (KIE) process for all Council employees helps to highlight the requirement to develop skills and improve performance. It should be noted that the proposed performance appraisal system is in the process of being reviewed.

3.16 Encouraging involvement in the membership of the authority

- The Council engages with communities through eleven Area Forums, providing an opportunity to shape services in their neighbourhood. Consultation has recently taken place to enable residents to influence and contribute to Neighbourhood Plans.

- There are different ways in which young people can have their voices heard and make a difference to the communities where they live:

  Executive Youth Board
  Youth Voice Conference and Youth Parliament
  United Kingdom Youth Parliament (UKYP)
  Youth Forums

- Wirral's Older People's Parliament provides a forum for older people to voice their opinions, inform the Council and influence its decisions. It is made up of 44 elected members, four from each of Wirral's eleven Area Forums.

3.17 Stakeholder Engagement and Scrutiny

- Wirral's Local Strategic Partnership (LSP) Executive Board is in place to lead and develop the vision for the Borough of Wirral set out in the Sustainable Community Strategy.

- Wirral Council is committed to consultation with its citizens and undertakes borough-wide consultation on specific issues and in connection with budget proposals.

3.18 Public dialogue and accountability

- The Authority's commitment to openness can be demonstrated by, for example, the Constitution, the approach to the Freedom of Information Act, the Customer Access Strategy, the availability of Committee minutes to the public apart from exempt areas, and the Area Forums that give local people a voice.

- As part of the Equality Duty 2010, which came into full force in April 2011, the Council has a legal requirement to give due regard to the impact of its policies and decisions on people who share protected characteristics (race, gender, disability, sexual orientation, age, religion / belief, gender re-assignment, marriage / civil partnership, pregnancy / maternity).

- The use of the electronic tendering portal has been firmly established across the authority and contracts are being advertised via this system.

- An Annual Performance and Financial report is produced following the end of the financial year.

3.19 Responsibility to staff

- The Consultation and Negotiation Policy dealing with the role of unions; One Brief; the Staff Suggestion Scheme; and the One Council magazine; all aim to promote open communication processes.

3.20 Role of the Chief Financial Officer

- The financial management arrangements in place comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The local Code of Corporate Governance has been updated to reflect these arrangements.

- The Council has designated the Director of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The financial management of the Authority is conducted in accordance with the Financial Procedure Rules set out in the Constitution.

- The arrangements for the provision of internal audit are contained within the Financial Regulations included within the Constitution. The Director of Finance is responsible for ensuring that there is an adequate and effective system of internal audit of the accounting and other systems of internal control as required by the Accounts and Audit Regulations 2006 (amended 2011). The internal audit provision is managed by the Chief Internal Auditor and, takes as its reference the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

4. Review of Effectiveness

4.1 Introduction

Wirral Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and by comments made by the external auditors and other review agencies and inspectorates.

4.2 Corporate Review

4.2.1 The following policies have been reviewed:

- The Equality Impact Assessment (EIA) toolkit has been updated to reflect the legal requirements under the Public Sector Equality Duty, which is part of the Equality Act 2010.

- The Council Constitution has been amended to account for procedural changes. The Council has designated the Director of Law, HR and Asset Management as the Monitoring Officer who has a duty to monitor and review the operation of the Constitution to ensure its aims and principles operate effectively and an annual report is submitted to Cabinet. A review of the Constitution is an objective in the Wirral Improvement Plan (see Appendix)

4.2.2 The review of the effectiveness of the system of internal control reflects best practice guidance identified by the CIPFA Finance Advisory Network being informed by:

- Assurance statements from each Directorate based on management information, performance information, officer assurance statements and Scrutiny Committee reports.

- The work undertaken by Internal Audit, the External Auditor and other independent inspection bodies during the year.

4.3 Statutory Officer Responsibilities

4.3.1 The Council Constitution sets out the responsibilities of both members and senior managers. Roles and responsibilities have been identified and allocated for the following three statutory posts:

Head of Paid Service	Chief Executive
Chief Financial Officer	Director of Finance
Monitoring Officer	Director of Law, HR and Asset Management

4.3.2 As a result of investigations arising from the Public Interest Report into the Highways and Engineering Service Contract (see 4.8.3), the Chief Financial Officer, Deputy Finance Officer and Monitoring Officer were suspended on 29 June 2012. The immediate appointment of interim officers effectively controlled the risk that may have arisen from this action.

4.4 Audit and Risk Management Committee

4.4.1 To comply with professional best practice the Audit and Risk Management Committee carried out an annual review of its role. The self assessment from the CIPFA publication "A toolkit for Local Authority Audit Committees" (IPF, 2006) was used for the evaluation.

4.4.2 The self assessment provides evidence that the Committee is achieving a high level of compliance with CIPFA guidance. However, improvements were identified which have been incorporated into an action plan which was agreed by the Committee of 13 March 2012 and performance against this Plan will be monitored.

4.5 Standards Committee

4.5.1 During the year the Standards Committee, dealt with matters relating to the conduct of Councillors, employees, complaints and probity issues, the terms of reference for which complied with the latest guidelines from the Standards Board for England.

4.5.2 Following the Localism Act 2011, which abolished the Standards Board regime, a new regime to deal with Members / Co-opted Members has been established which includes new terms of reference for the Standards Committee and a new Member's Code of Conduct.

4.6 Internal Control

4.6.1 Weaknesses were identified in the Council's internal control environment. Whilst the procedures are generally in place there needs to be substantial improvement in applying the procedures as there have been significant issues for the Council during the year, principally through failures to follow systems and procedures correctly. A specific area for improvement identified was that senior management should take proper ownership of these issues and ensure that effective consistent governance arrangements are embedded within the culture of the organisation.

4.6.2 The Council's risk management process remains effectively coordinated. Issues regarding the updating of departmental registers, clear allocation of responsibilities and streamlined reporting lines need to be addressed as the Council's Strategy and framework are reviewed.

4.6.3 In meeting the financial challenges the Council has restructured and refocused service delivery areas which change the way in which the Council operates. These actions will continue to have significant impact on the control environment in many areas with the need to ensure that any resultant risks are effectively managed.

4.7 Internal Audit

4.7.1 Internal Audit reviewed key corporate systems evaluating the adequacy of arrangements in areas such as performance management, compliance with legislative, HR and constitutional requirements with reports to Chief Officers identifying improvements. Audit provided input to improving the Council governance arrangements by attending the Corporate Governance Group and by a secondment to support the work of the Governance Team. The Chief and Deputy Chief Internal Auditor met the Audit Commission managers at approximately 3 monthly intervals to share issues, maintain relationships and agree coordinating of work where possible. Copies of all Internal Audit reports completed were shared with the Audit Commission.

4.7.2 Areas identified for improvement included:-

- ICT systems and controls – highlighted issues under Information assurance concerning roles and responsibilities, information risk strategy and staff training.

- National Fraud Initiative – identified areas of savings and future actions.

- Gifts and Hospitality and Conflict of Interest 2011/12 – identified variations in awareness and application of, the appropriate procedures.

- Performance management – identified the need for more robust and transparent systems that include more detailed monitoring and reporting arrangements for managers, Chief Officers and Members.

4.7.3 In his Annual Report for the year ending March 2012, based upon the outcomes from the Audit Plan, the Chief Internal Auditor concludes that the Council’s internal control environment, taken as a whole is adequate and generally effective as there are sound systems largely in place though there must be substantial improvement in applying the procedures as there have been significant issues for the Council during the year, which have arisen principally because there have been failures to follow systems and procedures correctly.

4.7.4 The Chief Internal Auditor also notes that whilst recognising that there are control issues which need to be addressed, good areas of effective control have been identified and the Council continues to provide effective services in a very challenging environment.

4.7.5 As a result of an external report of the Council's Corporate Governance., Cabinet on 22 September 2011 requested proposals from the Director of Finance "on ways to strengthen the Council's Internal Audit team in order to ensure any warnings they issue are clearly heard and responded to". This led to the commissioning of an independent review of Internal Audit and is part of the Wirral Improvement Plan.

4.8 External Review

4.8.1 During the financial year 2011/12, and to date in 2012, the Council has been the subject of external reviews and inspections and a summary of the findings is noted in the following paragraphs.

4.8.2 AKA Report - Following an independent report, undertaken and produced by AKA (the trading name of Anna Klonowski Associates Ltd. “Renew and Refresh”, September 2011), the Council reported and acknowledged that serious weaknesses within its corporate governance framework existed (see section 5.1).

4.8.3 Grant Claims And Returns Report 2010/11 – The Audit Commission issued an initial report in March 2012 and a Supplementary Report in June 2012. The latter highlighted issues particularly in relation to the West Kirby Marine Lake scheme relating to the award of the contract, contract management and reporting. (see section 5.2).

4.8.4 Highways and Engineering Services Public Interest Report June 2012 - In June 2012, a Public Interest Report was issued by the District Auditor following an external audit of the Highways and Engineering Services Contract Award. This identified weaknesses in the Council’s arrangements relating to the award and management of the contract. This followed the earlier work in connection with the Highways and Engineering Services Procurement Exercise (HESPE) 2010. (see section 5.3).

4.8.5 OFSTED Children's Services Assessment 2011 – The conclusion of the assessment was that the Children's' Services at Wirral are performing excellently

4.8.6 The Office of the Surveillance Commissioners June 2012 – The arrangements for the use of authorisations under the Regulation of Investigatory Powers Act 2000, (RIPA) were inspected. The Inspector concluded that "Wirral exhibits a strong commitment to maintaining high standards of RIPA compliance. Their training programme is particularly commendable".

4.8.7 The Care Quality Commission and AKA Reports into Adult Social Services - Both reports identified concerns within the Department. In June 2012 a Peer Review was commissioned to assess progress and in preparation a separate Peer Challenge during May 2012 looked in detail at safeguarding practice. These acknowledged that the Department of Adult Social Services has made significant progress in relation to its performance with regard to safeguarding adults and also, more generally in relation to the rest of its work highlighting a number of examples of good practice. Both reports also contained a number of areas for further consideration and these have been taken into the Departmental programme management process for development and implementation.

4.8.8 The Annual Governance Report issued by the Audit Commission September 2012 – This included an adverse Value for money conclusion. This was due to the identification of weaknesses in the arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ending 31 March 2012.

5. Significant Governance Issues

5.1 The report by AKA (the trading name of Anna Klonowski Associates Ltd.), entitled 'Wirral Borough Council's Corporate Governance Arrangements: Refresh and Renew', was presented to Cabinet on 22 September 2011, and identified examples of failures/weaknesses in Corporate Governance:-

- Inadequate systems to manage performance and spot failures.
- Being unable to understand and implement fees and charges properly.
- Not being able to commission, manage and, where necessary, dismiss failing contractors and suppliers.
- Shortfalls in the way the Council evaluates the impact of its policies both prior to execution and in response to evidence about the impact.
- A reluctance to listen to, and support, Wirral Council staff when they have tried to raise and resolve issues on the Council's behalf.

- The reluctance of some staff to speak out because of the perceived impact this might have on them and/or their career at Wirral.

5.2 The Grant Claims report, June 2012, highlighted that there were failures/weaknesses in Corporate Governance under the following:-

- Reporting to Members, recording and risk management.

- Fit for purpose Contract Procedure Rules.

- Compliance with procedures.

5.3 The Highways and Engineering Services Contract Public Interest Report, June 2012, found significant weaknesses in managing the contract award and, with a number of specific recommendations, concluded that::-

"the Council needs to make improvements to demonstrate good governance by improving the Council's arrangements for managing and reporting risks, declaring interests, reviewing and complying with contract procedure rules, delivering internal audit, reporting to elected members and responding to whistleblowing; and; to demonstrate value for money, by improving the Council's arrangements for tender evaluation and contract management, including contract variation, record keeping and performance management."

5.4 The Annual Report of the Chief Internal Auditor noted the lack of consistently documented and communicated controls in some areas, including corporate governance and the resulting lack of consistency in the controls operated between departments and even within individual departments and service areas.

5.5 The Annual Governance Report 2011/12, September 2012, identified weaknesses in respect of financial resilience and securing economy, efficiency and effectiveness under the areas of:-

- Leadership and financial governance.

- Lack of clarity about the Council's strategic priorities.

- Weaknesses in internal control arrangements.

5.6 The key issues can be classified under five themes which have been identified as the priority areas in the Wirral Improvement Plan:-

- **Leadership, Political and Managerial**

Improve trust and respect between politicians and senior management.

Provide strong strategic leadership and oversight of delivery.

Identify and address development needs for Members and management.

- **Corporate governance and decision making**

Establish effective governance procedures, particularly with regard to risk management, whistle blowing and audit.

Ensure there is a clear protocol for sharing information with Members and a clear scheme of delegation.

- **Corporate Plan**

Agree a Corporate Plan that sets out clear priorities reflecting a good understanding of citizens' and customers' views through consultation, participation and localism.

Implement rigorous performance management and through effective performance appraisal arrangements secure specific outcomes for the borough.

- **Budget and financial stability**

Ensure there is a clear longer-term financial plan in place, linked to the Corporate Plan, setting out how the Authority will respond to reducing levels of resources.

Develop and enhance the Strategic Change Programme.

Develop a clear commissioning strategy for the Authority.

- **Critical service areas: Safeguarding and Developing the economy**

Ensure the safeguarding actions from the AKA action plan are implemented.

Design and deliver the action plan to address individual needs as informed by the safeguarding peer review.

Ensure we improve the skills of local residents and stimulate the private sector to grow and create jobs.

6.0 Improvement Measures

6.1 In response to the AKA report of September 2011 a Corporate Governance Committee (with executive powers) was established, a team created and a comprehensive work programme, to address a range of priority areas of improvement in relation to corporate governance was developed. It was anticipated that this group would operate on a short term basis (it was decommissioned following its meeting on 8 February 2012) and would provide the appropriate building blocks for a wider Wirral Improvement Plan.

6.2 The Council is working in partnership with the Local Government Association (LGA) and has established an Improvement Board (without executive powers), chaired independently by the LGA to continue and progress its work (the Board first met on 3 February 2012 and is due to operate in the medium term and possibly up to 2 years). The initial work programme was based around a number of Key Lines of Enquiry' (KLOEs).

6.3 Since March 2012, the improvement programme has progressed with the assistance of the Improvement Board. The original KLOEs have been subsumed into a comprehensive Wirral Improvement Plan. The Plan is based on the five Priority Areas referred to in section 5.6. Endorsed by the Improvement Board on 29 July 2012 and agreed by Cabinet on 6 September 2012 (see Appendix) the Plan will be monitored through a defined governance framework.

6.4 The appointment of a Chief Executive with experience of working at that level for a number of years was confirmed by Council on 16 July 2012 and the position was formally occupied on 3 September 2012. Since August 2012 an Interim Director of Finance, with similar multi-authority experience, has been in place to provide cover for the suspended officers.

7. Conclusions

7.1 In 2011 and 2012, external reviews have identified significant weaknesses in the arrangements for corporate governance in Wirral. The issues have been recognised by Members and senior officers and there is joint commitment to making the necessary changes to strengthen governance at Wirral.

7.2 A programme for improvement commenced in November 2011 and has been developed with the support of the Improvement Board into a comprehensive Wirral Improvement Plan. The commitment of Members and senior officers will ensure the achievement of the Improvement Plan and will lead to significantly improved governance arrangements at Wirral.

Signed: Date:

Chief Executive

Signed: Date:

Leader of the Council

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Priority 1: Leadership: Political and Managerial		Trust and respect needs to be developed between politicians and senior management. There is a requirement for strong strategic leadership and oversight of delivery. Development needs for Members and management should be identified and addressed. Addressing these key areas of focus will support the establishment of a strong corporate culture and a sense of organisational cohesiveness.				
Executive Sponsor:		Chief Executive				
Target 1	**Design and implement a leadership programme**					
	Objective	**Success criteria**	**Timeline**	**Linkages**	**Dependencies**	**Proposed Lead Role**
1.1	Establish the leadership competencies and behaviours required by the Council for good governance.	A defined set of competencies to inform a comprehensive gap analysis against desired competencies to inform target 1.2	Within 6 months	Senior Officer job descriptions. Development activities.	Competencies reflecting revised Code of Corporate Governance and scheme of delegation.	Organisational Development Manager
1.2	Design and deliver a learning programme for Cabinet and Senior Management Teams to address individual needs, informed by the gap analysis.	All Members and officers have a Learning & Development Plan that addresses the individual and organisational needs.	Designed within 6 months, deliver initial programme within 12 months.	Skills for Wirral programme.	Revised Code of Governance in place, Scheme of delegation agreed.	Organisational Development Manager
1.3	Ensure learning programme meets requirements through clear target-setting, evaluation and review.	Evaluations and review provide evidence that programme has met targets.	Within 2 years.		Learning & Development is reviewed as part of appraisal process.	Organisational Development Manager
Target 2	**Review best practice and put in place an effective model for elected members and senior managers to work together.**					
	Objective	**Success criteria**	**Timeline**	**Linkages**	**Dependencies**	
2.1	Define the boundaries for operation of roles and responsibilities and clarify expectations.	Agreed protocols with clear lines of accountability, regular monitoring and reporting.	Within 6 months		Revision of schemes of delegation and Council's policy framework	External support required
2.2	Establish a framework to support member and officer engagement at all levels of the organisation.	An efficient model for accurate and consistent briefing of members.	Within 6 months		Needs to be reflected in the cultural change programme.	Interim Chief Executive
Target 3	**Develop a shared vision and purpose for the organisation**					
	Objective	**Success criteria**	**Timeline**	**Linkages**	**Dependencies**	**Proposed Lead Role**
3.1	Develop Wirral's vision to reflect the changing role of local government.	Understand and articulate what is our "core business" and how we will operate as an organisation in 2015.	Within 6 months		Appointment of Interim Chief Executive. Consultation exercise.	Council Leader / Chief Executive
3.2	Ensure the organisational structure is fit for purpose.	A full-time, experienced Interim Chief Executive appointed; appropriate council restructuring undertaken. Job descriptions reflect officer responsibilities.	Within 12 months	Interim arrangements.	Resolving Interim arrangements. Link to commissioning strategy and understanding of what the Council will directly deliver.	Leader / Chief Executive
3.3	The model for corporate management is supported by enabling strategies.	Officers and Members are located to optimise corporate and efficient working.	Within 12 months	Heads of Service projects.	Asset Management Strategy, Customer Access Strategy, ICT Strategy, People Strategy.	Chief Executive
3.4	Review Business Systems	We have an integrated business focused system environment which enables people to work more efficiently and flexibly.	Within 12 months	ICT Strategy, Customer Access Strategy		Head of Service development project.
Target 4	**Design and implement a cultural change programme**					
	Objective	**Success criteria**	**Timeline**	**Linkages**	**Dependencies**	**Proposed Lead Role**
4.1	Define a single set of values and behaviours that are expected to be demonstrated by all.	Values and behaviours have all-party agreement and have been informed through staff engagement.	Within 6 months			Head of HR / Organisational Development
4.2	Staff responsibilities and expectations are clearly articulated.	Single source of guidance and procedures available in a "how to guide".	Within 12 months	Code of Corporate Governance.	To be completed prior to OD programme roll out.	Support required
4.3	Organisational Development programme developed to communicate and support staff understanding and expectations.	Values and behaviours are embedded across the organisation and are adhered to by all staff. Evidence through performance appraisal.	Within 12 months		Articulated in the revised Corporate Plan and re-enforced through performance management and appraisal.	Organisational Development Manager

Priority 2: Corporate governance and decision-making	Establish effective governance procedures, particularly with regard to risk management, whistle blowing and audit. Ensure there is a clear protocol for sharing information with Members and a clear scheme of delegation. The expectation is that this will contribute to developing a culture of openness rather than secrecy.					
Executive Sponsor:	Director of Law, HR & Asset Management / Monitoring Officer					
Target 1	**Ensure that the Code of Corporate Governance and supporting policies are consistently understood and followed.**					
	Objective	**Success criteria**	**Timeline**	**Linkages**	**Dependencies**	**Proposed Lead Role**
1.1	Ensure all politicians and senior officers have a working knowledge of the revised Code of Corporate Governance and apply this in decision making, particularly focussing on the areas of risk, audit and whistle-blowing.	Mandatory training undertaken by officers and members. Evaluations and reviews provide evidence that programme has met targets. External validation that decision-making has improved.	Within 12 months	Initial review of Code of Corporate Governance complete.	Leadership Development Programme; Review of Code of Corporate Governance, specifically areas of risk; whistle-blowing; Audit. Review of Internal Audit.	Head of Regulation
1.2	Implement the agreed proposals and initiatives set out in Corporate Governance Key Line Of Enquiry 6 Improvement Report (Cabinet, 21/06/2012)	Improve decision making at member and officer levels.		Corporate Governance Comprehensive Work Programme		Director of Law, HR & AM / Monitoring Officer
1.3	The supporting policies within the Code of Corporate Governance are owned, reviewed and published.	The policies in the Code of Corporate Governance have been reviewed and subject to a controlled version which is linked to a published copy. Document management and retention policies support this.	Within 24 months	DASS Review of Policies & Performance.		Head of Regulation
Target 2	**Review and update Schemes of Delegation and support systems for decision making and provide appropriate training**					
	Objective	**Success criteria**	**Timeline**	**Linkages**	**Dependencies**	**Proposed Lead Role**
2.1	Review and update Schemes of Delegation to Cabinet Members and Officers reflecting best practice.	Revised scheme understood and adhered to. Fewer items on Cabinet agendas.	Within 6 months.		Needs to be reflected in Member and officer protocols and revised Code of Corporate Governance.	Director of Law, HR & AM / Monitoring Officer
2.2	Develop a protocol which ensures greater control over procedures such as agenda management and decision recording.	Ensure attention is focussed by officers and elected Members on key decisions. A clear mechanism for delegated decisions to be reported back through the Council decision-making structures.	Within 6 months	Corporate Governance Key Line Of Enquiry 6 Improvement Report (Cabinet, 21/06/2012)		External support required
2.3	Training and development programme on the Scheme of Delegation for both officers and elected members.	Training undertaken.	Within 12 months	Wirral Skills Programme.	To be included in the Leadership programme	Interim HR Business Support Manager
Target 3	**Strengthen contract procedure rules and management whilst ensuring that appropriate information is in place to enable informed decision making.**					
	Objective	**Success criteria**	**Timeline**	**Linkages**	**Dependencies**	**Proposed Lead Role**
3.1	Improve contract management by using the evidence base of reports (HESPE etc) identify strengths and weaknesses of existing procedures and protocol.	Contract management principles are clearly reviewed published and adhered to.	Within 6 months			External support (Solicitor)
3.2	Revise procurement procedures and through rigorous review, ensure procedure and protocol are strengthened.	A single source of guidance for procurement within the "how to" toolkit. This will provide advice on rules, e.g. reporting variations, quality issues, informing Members. Supported by appropriate support and training.	Within 12 months.			Corporate Procurement Manager
3.3	Review risk management arrangements.	Enhanced process for managing risk with relevant systems in place.	Within 12 months.	Roll out of Concerto software.		Risk & Insurance Officer
3.4	Provide an effective system of Internal Audit.	Strengthened core function in place with a clear and transparent escalation policy.	Within 12 months.	External Review of Audit completed.	Revised committee reports should ensure that Audit Committee update reports are clear and unambiguous.	To be confirmed.
3.5	The relevant information is available to support decision making and decisions taken are accurately recorded.	Information Strategy is in place. Scheme of Delegation is adhered to.	Within 12 months.		Updated Scheme of Delegation and Member / officer protocols in place	External support
Target 4	**Establish an effective and coordinated approach to shaping and implementing policy**					

	Objective	Success criteria	Timeline	Linkages	Dependencies	Proposed Lead Role
4.1	Establish a coherent and joined up approach to policy, planning and strategy development for the Council.	Elected Members are well-informed on current and future policy issues; there is effective collaboration between departments on cross-cutting policy issues; there is robust implementation and review of policy decisions; there is effective sharing of learning and best practice.	Within 6 months.	Review of policy undertaken. Head of Policy post agreed (29/09/2011).	Elected Members and senior officers are well informed in developing vision and strategic approaches; Corporate Plan reflects national as well as local drivers and reflects effective horizon scanning by the organisation.	Existing policy leads until Head of Policy is appointed.
4.2	Ensure that there is a robust knowledge and evidence based approach to decision making in order to tackle the key challenges for Wirral.	Consistent use of evidence to develop Council plans and strategies; shared view within the Council and amongst partners about the key challenges / opportunities for Wirral.	Within 12 months.	JSNA, annual consultations.	Elected Members and senior officers are well informed in developing vision and strategic approaches which tackle the key challenges for Wirral; the Council's Corporate Plan is based on evidence as well as a good understanding of citizens and customers' views.	Existing policy leads until Head of Policy is appointed.
4.3	Engage with local and sub-regional partners to shape and respond to policy developments and implement decisions.	The Council and Local Strategic Partnership proactively anticipates and plans for policy changes; there is a shared view within the Council and amongst partners about the key challenges / opportunities for Wirral; policy is influenced at sub-regional, regional and national levels through ensuring that Wirral's interests and priorities are effectively represented.	Within 12 months.	Local Enterprise Partnership.	Elected Members and senior officers develop leadership role in respect of wider partnerships; the programme for developing Council's Corporate Plan includes engagement with partners; critical service areas cannot be developed and delivered without strong partnership working.	Chief Executive
Priority 3: Corporate Plan		To put in place an agreed Corporate Plan that sets out clear priorities reflecting a good understanding of citizens' and customers' views through consultation, participation and localism. This is to be underpinned by rigorous performance management and through effective performance appraisal arrangements secure specific outcomes for the borough.				
Executive Sponsor:		Chief Executive				
Target 1	**A clear set of priorities based on understanding our customers' needs and expectations.**					
	Objective	**Success criteria**	**Timeline**	**Linkages**	**Dependencies**	**Proposed Lead Role**
1.1	Ensure current Corporate Plan reflects need to deliver critical activities in 2012-13 in relation to the Council's Improvement Plan.	The Council has clear priorities in the current financial year for delivering services and the organisational change required for future improvement.	Within 6 months	Planned actions for 2012-13 in relation to critical service areas provide the baseline for review and long-term strategic planning.	Ensuring budget stability in-year whilst delivering current year service and improvement priorities.	Existing policy leads until Head of Policy is appointed.
1.2	Undertake a comprehensive service review.	The Council undertakes a successful consultation and corporate planning process which complies with legislation; the Council has a long-term vision for the borough.	Within 6 months	Three-year Corporate Plan will set out long-term strategies for critical service areas.	Consultation and corporate planning process will inform three-year financial strategy.	Existing policy leads until Head of Policy is appointed.
1.3	Complete a consultation exercise to support the development of a Corporate Plan for 2013 onwards	The Council undertakes a successful consultation and corporate planning process which complies with legislation; the Council has a long-term vision for the borough.	Within 6 months		Undertake service reviews.	Head of Communications & Engagement
1.4	Create a customer focussed organisation.	We place customers and services users at the heart of everything we do.	Within 12 months	Customer Access Strategy.	Development of Customer Relationship Management	Head of Service development project.
Target 2	**Develop a Corporate Performance Management Framework**					
	Objective	**Success criteria**	**Timeline**	**Linkages**	**Dependencies**	**Proposed Lead Role**
2.1	Implement robust business plans that deliver the Corporate Plan.	A clear line of sight between the Corporate Plan and the departmental Business Plans.	Within 6 months (new plans for 13/14)	Roll out of Concerto for performance and business planning.	Corporate plan in place.	Existing policy leads until Head of Policy is appointed.
2.2	Revise Corporate Performance Management Framework	Revised Performance Management Framework implemented: committee deadlines reflect reporting requirements. Dashboard reporting in place.	Within 6 months (new framework for 13/14)	Roll out of Concerto for performance and business planning.	Review of committee services.	Head of Performance & Intelligence (Public Health)
2.3	Create a transparent Council	The Council provides accessible and consistent information and policy and decision making which is open and transparent across all areas and channels of its business.	Within 12 months			Heads of Service development project.
Target 3	**Objectives aligned to individual performance appraisal and development**					

	Objective	Success criteria	Timeline	Linkages	Dependencies	Proposed Lead Role
3.1	Empowerment	Informed decisions are taken at the most appropriate level in the organisation in a timely and efficient way with clear accountability and responsibility for individuals and the organisation.	Within 12 months.			Head of Service development project.
3.2	Design and implement a performance appraisal process.	Top 3 tiers of management have completed appraisal process and have a training and development plan in place.	Within 6 months		Corporate Performance Framework.	Head of HR / Organisational Development
3.3	360^0 feedback mechanism in place.	Top 3 tiers of management have received 360 feedback.	Within 12 months.		Leadership Development programme.	Head of HR / Organisational Development
Priority 4: Budget and Financial Stability		To ensure there is a clear longer-term financial plan in place, linked to the Corporate Plan, setting out how the Authority will respond to reducing levels of resources. This will include the development and enhancement of the Strategic Change Programme, and the development of a clear commissioning strategy for the Authority.				
Executive Sponsor:		Director of Finance / Section 151 Officer				
Target 1	**Ensure that the service review and consultation programme reflects the impact of reducing levels of resources**					
	Objective	**Success criteria**	**Timeline**	**Linkages**	**Dependencies**	**Proposed Lead Role**
1.1	A budget developed in a transparent process that reflects customers needs and expectations.	A three-year budget strategy that is aligned to the three-year Corporate Plan.	Within 6 months.	Government legislative and financial announcements.	Service Review and Consultation process. Corporate Plan.	Head of Financial Services.
1.2	Develop an evidenced based commissioning strategy informed by clearly identified needs.	Demonstrate effective use of resources to our citizens, partners and tax payers.	Within 12 months.	Transfer of Public Health. JSNA.		Head of Performance & Intelligence (Public Health).
Target 2	**Review governance and scope of Strategic Change Programme.**					
	Objective	**Success criteria**	**Timeline**	**Linkages**	**Dependencies**	**Proposed Lead Role**
2.1	Integrate governance and scope of the Strategic Change Programme with the Improvement Plan.	A single governance structure for change and improvement activity.	Within 6 months.	SCP 12/13, agreed Cabinet 2 February 2012	Revised scheme of delegation, member and officer protocols.	External Support
2.2	Specify the efficiency projects within the Strategic Change Programme.	A transparent programme of projects that evidence savings within the budget book.	Within 6 months.	SCP 12/13, agreed Cabinet 2 February 2013	Corporate plan, service review and budget preparation.	Programme Manager (Strategic Change)
2.3	Specify the transformational change projects within the Strategic Change Programme.	A programme of projects that demonstrate transformational improvement.	Within 6 months.	Cultural change programme.	Corporate plan and service review.	Programme Manager (Strategic Change)
2.4	Identify the mechanism and staffing structures for delivery.	A clear remit for those involved in delivering change and improvement.	Within 12 months.		Council restructure.	Programme Manager (Strategic Change)
Priority 5: Critical Service Areas: Safeguarding and Developing the Economy		To ensure that there is a clear organisational focus on critical service areas such as safeguarding (children and adults) and developing the local economy through ensuring we improve the skills of local residents and stimulate the private sector to grow and create jobs. Adopting this approach will develop skills in service and strategic review processes.				
Executive Sponsor (Economy)		Director of Regeneration, Housing & Planning				
Executive Sponsor (Safeguarding)		Director of Adult Social Services				
Target 1	**Deliver improvements in safeguarding, through implementation of the action plan arising from the safeguarding peer review**					
	Objective	**Success criteria**	**Timeline**	**Linkages**	**Dependencies**	**Proposed Lead Role**
1.1	Design and deliver an action plan to address individual needs, informed by the safeguarding peer review.	Identify clear targets, priorities and success criteria for reporting on improvements.	Plan agreed within 6 months.			Head of Safeguarding
1.2	Ensure the actions arising from the AKA action plan are implemented with regards to safeguarding.	Improvement Board and Cabinet updated of progress.	Within 6 months.			Head of Safeguarding
Target 2	**Develop approach to enhancing and adding value to the local economy through 'your Economy' goals and focuses**					
	Objective	**Success criteria**	**Timeline**	**Linkages**	**Dependencies**	**Proposed Lead Role**
1.1	Ensure policy and budget review approaches reflect the council's commitment to improving Wirral's economy.	Improved skills and capacity in service and strategic review processes.	Within 2 years.	Wirral Investment Strategy.	Corporate plan.	Head of Strategic Development and Regeneration