



## **Statement of Accounts**

**2007-2008**

These statements demonstrate the financial performance of Wirral Council for the financial year ending 31 March 2008

**September 2008**



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## **EXPLANATORY FOREWORD**

### **1. ABOUT THE STATEMENT OF ACCOUNTS**

- 1.1 The Statement of Accounts which follow demonstrate the financial performance of the Council for the year ended 31 March 2008 and shows the financial position at the end of that period. The Statement of Accounts has been prepared and presented in accordance with prescribed guidance, the Code of Practice on Local Authority Accounting and Reporting Standards.
- 1.2 The purpose of this foreword is to provide an explanation in overall terms of the Council financial position including the main influences on the accounts. It is to assist in the interpretation of the accounting statements.
- 1.3 As far as possible plain language has been used in this publication, except where the use of technical language is required for the definition of accounting terms. A summary set of accounts highlighting the main information contained within the Statement of Accounts, is also published on the Council website at [www.wirral.gov.uk](http://www.wirral.gov.uk)
- 1.4 A brief description of the main statements and areas covered in this document are detailed below:
- Statement of main principles, accounting policies and estimation techniques- this sets out the basis of the figures presented in the accounts.
  - Annual Governance Statement - details how the Council has ensured the effectiveness of its systems for ensuring that it operates within the law and ensuring public money is properly used and accounted for.
  - Statement of responsibilities for the Statement of Accounts - this outlines the responsibilities of the Council and the Director of Finance in preparing the accounts.
  - Auditors Report - the independent auditors report on the Statement of Accounts.
  - The main financial statements comprise five key statements. The Income and Expenditure Account is the main account showing how money is spent and how it is financed. The Statement of Movement on the General Fund Balance and the Statement of Total Recognised Gains and Losses show how the level of Council balances has changed. The Balance Sheet shows the financial standing of the Council at 31 March 2008 detailing all assets and liabilities. The Cash Flow statement shows the inflows and outflows of cash arising from transactions with other parties.
  - The notes to the statements provide further detail and explanation of the items contained within the financial statements.
  - The Collection Fund - details the Council Tax and Non-Domestic Rates collected and paid to the precepting authorities and the national Non-Domestic Rate pool.
  - Pension Fund - this shows the financial position of the Merseyside Pension Fund.
  - Glossary of Financial Terms - explains the technical terms contained within the Statement.

- 1.5 The main changes in the presentation of the accounts for 2007-08 relate to those arising from the Code of Practice 2007 and are essentially accounting changes that do not impact upon the level of spend and the Council Tax:-
- The change in accounting requirements for Financial Instruments based on Financial Reporting Standards. As a consequence certain Instruments, such as borrowings and investments, are valued in the Balance Sheet in accordance with these Standards as opposed to their nominal value.
  - The amalgamation of the former Fixed Asset Restatement Account and the Capital Financing Account to a new account know as the Capital Adjustment Account, and the creation of the new Revaluation Reserve. This resulted in significant changes to the cost of services as they now include the costs of the impairment of any capital works undertaken to maintain, rather than add value to, the assets.
  - The replacement of the Statement of Internal Control with an Annual Governance Statement.

## **2. REVIEW OF THE FINANCIAL YEAR**

### **2.1 REVENUE EXPENDITURE AND INCOME**

2.1.1 This represents the spending on services provided to the people of Wirral and met from Central Government Grants and the local taxpayer through the Council Tax. For 2007-08 the increase in Council Tax was 4.2%. The Council spent £296 million on its net cost of services in 2007-08 which is met from a combination of Government Grants, Non-Domestic Rates and Council Tax.

2.1.2 Further details can be found within Section 7 of this Statement which shows that at the end of the year there was £11.1 million in general balances. This was largely through a combination of under spending on Council Services and the release of a number of reserves to general fund balances. In particular the resolution of the long-standing issues over housing benefits and continuing improvements of the management of risk and insurance enabled previously earmarked resources to be returned to the general balances.

2.1.3 During the year the Council made settlement payments of £7.4 million in respect of equal pay back pay claims. This is normally treated as a revenue cost but the Government issued a Direction which allowed the Council to treat the payments as capital. This reduced the impact on the revenue account as the cost could be spread over a longer period. In 2007/08 the sum of £5.9 million was also provided to meet the on-going costs of the future settlement of the local pay review.

2.1.4 The Council regularly monitors the financial position and, in particular, those areas most prone to variation. The areas experiencing greatest pressure during the year were those relating to care services, highways and waste and cultural services. The Council continues to work with the Primary Care Trust to address the increasing demand for care services for both adults and children. Financial management arrangements and actions taken helped to offset the increased costs with benefits from treasury management activities. Overall the Council under spent its forecasted level of spend which added to the balance.

## **2.2 CAPITAL EXPENDITURE AND INCOME**

2.2.1 During 2007-08 £73 million was spent on capital projects. This included the acquisition and improvement of assets and infrastructure. In respect of education services the £19 million programme included modernisation and improvement works to schools. Regeneration spend was in excess of £21 million with The New Heartlands Housing Market Renewal Initiative continuing to address targeted areas in Birkenhead and Wallasey whilst the works in New Brighton, including the Floral Pavilion, are well underway. Almost £12 million was spent on improvements to highways, bridges and road safety projects.

2.2.2 The main source of funding comes from various grants which are allocated by Central Government for specific schemes or projects such as the investment into Schools or the New Heartlands programme. In 2007-08 grants provided £44 million to fund the total spend of £74 million. The balance was met from a combination of borrowing and the use of capital receipts generated from the sale of surplus assets.

## **2.3 BALANCE SHEET**

### **2.3.1 Balances and Reserves**

The Council seeks to maintain a prudent level of balances reflecting the budgetary arrangements which should be sufficient to meet any unforeseen events. When agreeing the budget for 2007-08 it was anticipated that the balance would be £4.5 million by 31 March 2008 rising to £5 million the following year. The level was based upon an assessment of the risks involved in managing the overall Council budget and recent experiences in terms of spending compared to the budgets allocated.

The general balances will vary as a result of the financial decisions of the Council. When setting the annual budget any sums in excess of the prudent level can be, and are, used to help provide for services. Since setting the 2008-09 budget the balance at 31 March 2008 has increased from the expected £8.5 million to £11.1 million.

Whilst the general balances are available to meet non-specific pressures provisions and reserves are amounts set-aside to meet specific future liabilities. They are regularly reviewed to assess whether they are adequate for the purpose intended and whether the sums involved are still required. During 2007-08 substantial sums were transferred to the general balance. At 31 March 2008 £67 million was held in reserves with the major items being in respect of the Insurance Fund, housing benefit and school balances. The latter are only available for use by the schools. A further £17 million was held in provisions with the majority for the Insurance Fund, housing benefit and the local pay review.

### **2.3.2 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 operational assets valued at

£638 million at 31 March 2008 which includes land and buildings as well as infrastructure such as roads.

Total investments at 31 March 2008 were £79 million with the majority of investments being on a short term basis with financial institutions. A portfolio of £1.6 million, consisting of stock market and Government bonds, is held on behalf of the Insurance Fund.

### **2.3.3 Outstanding Debts and Borrowing**

The major sources of funding for Council borrowing have traditionally been the Public Works Loans Board and the private sector. As part of effective Treasury Management the opportunities presented by the market to generate interest savings are pursued. This includes Lender Option Borrower Option (LOBO) loans. LOBO's offer low cost borrowing for agreed initial periods and options then become available on the part of both the Council and the lender in relation to the residual, longer period, of the loan.

At 31 March 2008 the long term debt totalled £284 million. Of this £173 million is with financial institutions and £111 million with the PWLB with this 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.

### **2.3.4 Retirement Benefits**

All authorities have had to fully adopt the accounting policies contained with Financial Reporting Standard 17 "Retirement Benefits". The principle behind FRS 17 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. The actuaries engaged by the Council have estimated the underlying long term commitment to pay retirement benefits to be £342 million at 31 March 2008.

The recognition of this liability in the accounts has a substantial effect on the net worth of the Council. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees as assessed by the actuary.

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.

## **3. RECENT AND FUTURE DEVELOPMENTS**

### **3.1 BUDGET 2008-09**

- 3.1.1 The Council agreed the budget for 2008-09 which included a Council Tax rise of 3.66% from 1 April 2008. This was below the 5% maximum level set by Central Government and as a result the average Band D Council Tax rose to

£1,379. Wirral, which only a few years ago had the 4th highest Council Tax in the country, now has the 242nd highest Council Tax.

3.1.2 In setting the budget the Council received a better than expected government grant settlement but in order to avoid unnecessary high levels of Council Tax a number of difficult decisions were taken. The budget is based on a new Vision for Wirral and the Corporate Objectives and Priorities for improvement which supports the Vision. This has seen resources invested into the priority areas and new funding to allow budget decisions to be made by local people through the Area Forums and the Local Area Agreement.

3.1.3 The ability to invest in services, and keep Council Tax affordable, has only been possible through the identification, and implementation, of a range of actions to deliver efficiencies and greater value for money. The efficiencies are designed to ensure that services to the people of Wirral are delivered in the most effective way and the efficient purchasing of goods and services continues into 2008-09.

## **3.2 FORWARD PLANS**

3.2.1 The Vision for Wirral seeks to achieve a more prosperous and equal Wirral which is founded on a strong, vibrant local economy with high levels of employment. The budget that underpins the Corporate Plan and Service Development Plans is set to achieving Wirral's Vision.

3.2.2 The Council faces increasing pressures from delivering services where demand and expectations are rising against the limited funding that is available. This is expanded upon in the Medium Term Financial Strategy and Projected Budget reports which provide a regular update on the budgets for future years. This includes actions proposed to address any gap between the projected spend and likely resources to ensure that the budget, and Council Tax, continues to be set at a realistic and affordable level.

3.2.3 Value for money remains a key area for Central and Local Government. The Government set local authorities a challenging target to deliver efficiencies that met agreed criteria and realised actual cash savings as well as improvements in service delivery. In the period 2004-08, the Wirral target was £26 million with the Council able to meet, and exceed, this target. The Government has recently set increased targets for 2008-11 that are based on achieving 3% cash savings per year. For Wirral this amounts to around £30 million over the period.

3.2.4 The Council continues to take actions to help meet the climate change and sustainability agenda. These include the implementation of the streetscene contract with continual enhancements around recycling, waste collection and disposal. Procurement initiatives result in environmental and sustainability considerations factored into any major building schemes. The Council has been successful in reducing energy consumption in recent years and continues to develop plans to reduce this further. Recent IT developments continue the move towards using technological rather than paper-based systems and processes.



#### **4. CONCLUSION**

- 4.1 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. In reporting on how Council finances have been managed and the financial position, the Statement of Accounts forms a key part of the Comprehensive Performance Assessment (CPA) process. This aims to measure the effectiveness of services being delivered and value for money being achieved.
- 4.2 The 2007 assessment was based upon five elements covering financial reporting, financial management, financial standing, internal control and value for money. The Audit Commission judged the Council Use of Resources as an adequate performance and referred in their report to the Authority having continued to improve with continued improvements in Internal Control, financial reporting and value for money.
- 4.3 The Council continues to strive to promote and enhance all aspects of financial management and successfully managed its finances during 2007-08. It retains a prudent level of balances to meet any unforeseen events and there are challenges for the future in keeping Council Tax affordable whilst continuing to support the quality and improvement of the services that are provided.

**IAN COLEMAN**

**DIRECTOR OF FINANCE**

## **STATEMENT OF MAIN PRINCIPLES, ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES**

### **GENERAL**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2007 (the SORP), as recommended by CIPFA, supported by guidance notes on the application of accounting standards. The accounting convention adopted is historical cost modified by the revaluation of certain categories of tangible fixed assets. The Code of Practice specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position, and transactions of the authority and is based on approved accounting standards, except where these might conflict with specific statutory accounting requirements.

In accordance with the Statement of Recommended Practice (SORP), the authority has adopted a number of principles to be followed in selecting accounting policies to be used and the corresponding use of disclosures needed to help users to understand those adopted policies and how they have been implemented.

In doing so the authority tries to ensure that the policies adopted are the most suitable to its particular circumstances for the purpose of presenting fairly the financial position and transactions of the authority. 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 authority has regard to in selecting and applying these policies and any estimation techniques are:

The qualitative characteristics of financial information

- relevance
- reliability
- comparability
- understandability
- materiality

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 review and annual update of the SORP have introduced a number of revised or additional requirements for the 2007-08 financial statements. A number of changes in accounting policy have been made in 2007-08:-

1. New requirements for the accounting and disclosure of financial instruments.

2. Local Area Agreement (LAA) grants accounted for in a way that reflects the substance of the terms of the grants and the way in which the LAA operates in practice.
3. The replacement of the Fixed Asset Restatement Account (FARA) and the Capital Financing Account (CFA) with the Revaluation Reserve (RR) and the Capital Adjustment Account (CAA).

The following accounting policies and estimation techniques are consistent with the accounting concepts and, where appropriate, the relevant accounting standards.

## **1. ACCRUALS OF INCOME AND EXPENDITURE**

### **Customer and client receipts**

Customer and client receipts in the form of sales, fees, charges and rents are accounted for as income at the date the Council provides the relevant goods or services.

### **Employees costs**

The full cost of employees is charged to the accounts of the period within which the employees worked.

### **Interest**

Interest payable on external borrowing and interest income is accounted for in the year to which it relates on a basis, which reflects the overall economic effect of the loan or investment.

### **Supplies and services**

The cost of supplies and services is accounted for in the period during which they were consumed or received. 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. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be recovered. Income and expenditure are credited and debited to the relevant revenue account.

## **2. CAPITAL RECEIPTS**

Sales of fixed 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 any statutory requirements) and a useable part (the balance).

Usable receipts are credited to the Usable 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.

### **3. 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.

### **4. 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 a MRP Statement. The Local Authorities (Capital Financing and Accounting) Regulations 2008 amended the rules governing debt redemption or the Minimum Revenue Provision (MRP). The Council agreed that for 2007/08 a repayment not less than 4% of its share of the Capital Financing Requirement (the requirement to borrow) will be made.

### **5. DEFERRED CHARGES**

Deferred charges represent expenditure that may be capitalised but does not result in the creation of a tangible asset. They are amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the Council. Consequently, deferred charges 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 reverses out the amounts charged to the Income and Expenditure Account so there is no impact on the level of council tax.

### **6. DISCONTINUED OPERATIONS**

Income and expenditure directly related to discontinued operations is shown separately on the face of the Income and Expenditure Account under the heading of discontinued operations. The only service where there has been the discontinued operation is housing and this relates to the transfer of the Council's housing stock that took place in 2005.

### **7. EVENTS AFTER THE BALANCE SHEET DATE**

Where a material post balance sheet event occurs which provides evidence relating to conditions existing at the balance sheet date, or indicates that application of the going concern content to a material part of the Authority is not appropriate, changes should be made in the amounts to be included in the Statement of Accounts. The occurrence of a material post balance sheet event, which concerns conditions, which did not exist at the balance sheet date, should be disclosed with an estimate of its financial effects.

### **8. EXCEPTIONAL ITEMS, EXTRAORDINARY 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.

Extraordinary items are where appropriate disclosed and described on the face of the Income and Expenditure Account after dealing with all items within the ordinary activities of the Council and will be fully explained in a note to the accounting statements.

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.

## **9. 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, back deposits and loans receivable.

The Council has adopted FRS 26 “Financial Instruments: Recognition and Measurement”, FRS25 “Financial Instruments: Presentation and Disclosures” and FRS 29 “Financial Instruments Disclosures”.

### **Initial Recognition**

Financial instruments will be recognised on the balance sheet when, and only when the holders becomes a party to the contractual provisions of the instrument, i.e. when the purchasers becomes 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 Income and Expenditure Account 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 Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Accounts is the amount receivable for the year of the loan agreement. 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 made to the Income and Expenditure Account.

### **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 Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses (STRGL). The exception is where an impairment loss has been incurred. These are debited to the Income and Expenditure Account along with any net gains/loss for the asset accumulated in the Reserve. Where fair value cannot be measured reliably the instrument is carried at costs (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.

## **10. 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.

## **11. 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.

Revenue grants and contributions are credited to the relevant service to match with the expenditure to which they relate. 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 Income and Expenditure Account in the year receivable.

When the acquisition of a fixed asset is financed wholly or partly by government grant, the amount of the grant is credited to the Government Grants Deferred Account and written off to the relevant service revenue account over the useful life of the asset, to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate.

When government grants are received for assets not owned by the Council the grant is then credited to revenue to correspond to deferred charges being written off.

Whilst depreciation is based on the asset value at the end of the financial year, grants are written down on the basis of their balance sheet value at the beginning of the year.

## **12. GROUP ACCOUNTS**

The Council has adopted FRS2 "Accounting for Subsidiary Undertakings" and the CIPFA Accounting Code of Practice. This required the Council to consider, whether in aggregate there are material or controlling interests in subsidiaries, associates and joint ventures and where non-production of group accounts would result in the statement of accounts failing to present fairly the authority's activity and financial position.

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.

## **13. INTANGIBLE ASSETS**

There are three broad categories of intangible assets: Development expenditure, goodwill and other intangibles.

Local authorities do not carry out research and development of the type envisaged by the SSAP and do not acquire or hold goodwill. As such these two categories are not relevant to local authorities' financial statements. Other intangibles would include the purchase of software licences. These have been capitalised at cost and will be

amortised over their economic lives with the provision for amortisation charged to service revenue accounts. They have been reviewed for impairment at the end of the first full financial year following their acquisition.

#### **14. LEASING**

The Council enters into a number of operating leases for vehicles and equipment for which the rentals payable are charged to revenue on a straight-line basis over the term of the lease agreement. Such operating leases allow the Council to have the use but not the ownership of assets over the term of the lease. The Council currently holds no finance leases.

#### **15. LOCAL AREA AGREEMENT**

The Local Area Agreement is a three-year agreement between the Government Office for the North West and the Local Strategic Partnership that represents the Council and other public, private, voluntary and community interests for the area.

The Council act as the Accountable Body and in practice controls the award of the grant. As a consequence of this all LAA grant receivable and payable is recognised as income and expenditure by the Council.

LAA is a specific grant and relates to more than one Council service. LAA grant transactions recognised in revenue are apportioned between the services that are funded by grant.

#### **16. NON-DISTRIBUTED COSTS**

The definition of non-distributed costs is limited to past service costs, settlements, curtailments, unused I.T. facilities and other unrealisable assets.

#### **17. OVERHEADS**

In line with the SORP 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 computing which is 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.

#### **18. PRIVATE FINANCE INITIATIVE**

Transactions associated with PFI initiatives are accounted for in accordance with Application Note F of FRS 5 "Reporting the Substance of Transactions" and with guidance issued by CIPFA.

#### **19. 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.

Provisions are charged to an appropriate revenue account. 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 FRS26, "Accounting for and disclosing of financial instruments" amounts shown as due from debtors are individually or collectively for debts that are not significant, reviewed for impairment. Any known collectable 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 as being required to fund claims for years up to and including 2007-08.

## **20. REPURCHASE OF BORROWING**

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Income and Expenditure Account 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 and the write-down to the Income and Expenditure Account 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 Income and Expenditure Account, 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 Statement of Movement on the General Fund Balance.

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

## **21. RESERVES**

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves. 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 Statement of Movement on General Fund Balance. 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 net cost of services in the Income and Expenditure Account. The reserve is then appropriated back to the General Fund Balance Statement so that there is no net charge against Council Tax for the expenditure. Certain reserves are kept to manage the accounting process

for tangible fixed assets and retirement benefits 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.

## **22. RETIREMENT 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 Children, Schools and Families (DSCF) for teachers. The arrangements for this scheme mean that liabilities for these benefits cannot be identified to 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 Capita Hartshead 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 2007-08 the contribution represented 16.5% of pensionable pay. The latest valuation was at 31 March 2007 and determined the contributions for the years 2008-2011.

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

With effect from 1 April 2004 all authorities have had to fully adopt the accounting policies contained with Financial Reporting Standard 17 "Retirement Benefits". The principle behind FRS 17 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 Councils' 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.

Liabilities are discounted to their value at current prices, using a discount rate of 6.1% at 31 March 2008, based on a weighted average of "spot yields" on AA rated corporate bonds.

Changes in market conditions during the year led to an increase from 5.4% at 1 April 2007. In the statement of actuarial gains and losses the overall gain associated with changed assumptions is £33.79m of which reflects the change in financial conditions/discount rate.

The assets of the Merseyside Pension Fund attributable to the Council are included in the balance sheet at their fair value:

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

The change in the net pensions 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 costs - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to Net Cost of Services as part of Non Distributed Costs.
- (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 Net Operating Expenditure.
- (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 Net Operating Expenditure.
- (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 to the Net Cost of Services 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.
- (vii) contributions paid to Merseyside Pension Fund - cash paid as employer's contributions to the Pension Fund.

Actuarial gains and losses on Pension Fund assets and liabilities are excluded from the Income and Expenditure Account. These are recorded in the Statement of Total Recognised Gains and Losses.

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 Statement of Movement 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 retirements 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.

## **23. STOCKS**

Significant holding of stocks and stores are valued at latest purchase price and not the lower of cost or net realisable value as required by SSAP 9.

## **24. TANGIBLE FIXED ASSETS**

### **Recognition**

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

### **Measurement**

Fixed assets 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). Fixed assets are classified according to the Code of Practice on Local Authority Accounting 2007.

Assets are included in the balance sheet using the following measurement basis:

- Infrastructure assets and community assets are included in the balance sheet at historic cost net of depreciation, where appropriate.
- Operational assets (other land and buildings, vehicles, plant and equipment) are included at the lower of net current replacement cost or net realisable value.
- Investment properties and surplus assets are included at the lower of net current replacement cost or net realisable value.
- Assets under construction are held at cost.
- Non-Operational assets include Investment properties, assets that are surplus to requirements and assets under construction.

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 Corporate Services using the valuation techniques referred to above undertook the valuation exercise. A further valuation of all assets will be undertaken on the basis of a rolling programme by March 2009.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains may be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a revenue 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 into the Capital Adjustment Account.

### **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 authority operates or a commitment to undertake a significant re-organisation. Impairment is charged to the Income and Expenditure Account when the asset suffers impairment due to a clear consumption of an asset and there has been no previously accumulated revaluation gain against which the impairment can be offset in the Revaluation Reserve. Impairment is also charged where there has been expenditure that has not resulted in any upward revaluations.

### **Depreciation**

Depreciation is charged on all assets with a finite useful life apart from non-depreciable land and non-operational investment properties. 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 or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie 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.

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 Usable 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 Income and Expenditure Account and the same amount appropriated from the Usable Capital Receipts Reserve and credited to Statement of Movement on the General Fund Balance.

### **Charges to Revenue for Fixed Assets**

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 fixed assets used in the provision of services:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service;
- Amortisation of intangible fixed assets attributable to the service.

The financing of capital expenditure from revenue is disclosed separately as an appropriation in the Statement of Movement on the General Fund Balance.

### **Merseyside Residuary Debt Fund (MRDF)**

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.

## **25. 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 Income and Expenditure Accounts, whether of a capital or revenue nature only if it is irrecoverable.

## **26. WORK IN PROGRESS**

Work in progress on uncompleted jobs is valued and recorded in the balance sheet at cost plus attributable profit and excludes overheads.

Please see the Glossary of Financial Terms for an explanation of technical terms and abbreviations.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

The Authority is required to:-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### **The Director of Finance's Responsibilities**

The Director of Finance is responsible for the preparation of the Authority'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 of Practice').

In preparing this Statement of Accounts, the Director of Finance has:-

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

The Director of Finance 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 presents fairly the financial position of Wirral Council at 31 March 2008 and its income and expenditure for the year ended 31 March 2008.

Ian Coleman

Director of Finance

Date:

## **ANNUAL GOVERNANCE STATEMENT**

### **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. 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'. A copy of the code is on our website at [www.wirral.gov.uk](http://www.wirral.gov.uk). This statement explains how Wirral Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2006 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 cannot 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.
- 2.3. The governance framework has been in place for a number of years at Wirral Council and, in particular, for the year ended 31 March 2008 and up to the date of approval of the Statement of Accounts.



### **3. The Governance Framework**

Key elements of the systems and processes that comprise the governance arrangements include:

- 3.1. Wirral Council has now revised its Corporate Plan setting out its objectives and there is an accompanying Performance Plan in which achievement of the objectives is monitored.
- 3.2. Wirral Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. There are Overview and Scrutiny Committees covering all portfolios. An Audit and Risk Management Committee provides independent assurance to the Council on risk management and control, and the effectiveness of the arrangements the Council has for these matters. The Constitution is reviewed annually by the Monitoring Officer and is codified into one document which is available on the intranet and external web pages.
- 3.3. Wirral Council ensures compliance with established policies, procedures, laws and regulations - including risk management. There is a comprehensive corporate induction programme in place and information regarding policies and procedures is held on the intranet, which continues to be enhanced and developed. The Council has a strong Internal Audit function and well established protocols for working with External Audit. The Audit Commission through its Inspectorate functions also reviews compliance with policies, procedures, laws and regulations within their remit.
- 3.4. The Council has adopted a "Local Code of Corporate Governance" in accordance with the CIPFA/SOLACE Delivering Good Governance Framework 2007. The local code contains appropriate monitoring and reporting procedures, and can be found on the Council website.
- 3.5. Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Individual training needs are constantly identified through the Key Issues Exchange process and fed into the Departmental Training plan and addressed by the Corporate Training Group.
- 3.6. The Council has designated the Head of Legal and Member Services as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.
- 3.7. Wirral Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures.
- 3.8. The Council has robust systems for identifying and evaluating all significant risks, developed and maintained with the pro-active participation of all those associated with planning and delivering services. The Council adopted a revised Risk Management Policy and Strategy in 2007. This explains the methodology which provides a comprehensive framework for the management of risk throughout the Council. A cross-departmental risk management group has defined Terms of Reference to develop a comprehensive performance framework for risk management and to embed risk management across the Authority. A Corporate Risk Register is in place and appropriate staff have been

trained in the assessment, management and monitoring of risks. A designated Risk Management Officer has been appointed and has approached embedding risk management in accordance with best practice guidance as a “top down” process via presentations, training and the facilitation of workshops to promote this process.

- 3.9. Wirral Council ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness.
- 3.10. The Comprehensive Performance Assessment (CPA) framework currently assesses the Council as 2 star and improving adequately. The Audit Commission annual assessment of the Council identified that the Council is making good progress in a number of its priority areas.
- 3.11. The financial management of the Authority is conducted in accordance with the Financial Procedure Rules set out in the Constitution. The Council has designated the Director of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three year Financial Strategy, updated annually, to support the medium term aims of the Corporate Plan. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated.
- 3.12. 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 actions plans. It is clearly laid out in the annual service and financial planning and performance management cycle. Committees monitor and scrutinise progress against targets and performance in priority areas affecting relevant service areas, and consider and approve corrective action where necessary.
- 3.13. The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit and Inspection Letter.

#### **4. Review of Effectiveness**

- 4.1. 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 also by comments made by the external auditors and other review agencies and inspectorates:
- 4.2. The Council has developed key policy documents, such as the Corporate Plan and Statement of Intent through which the Council expresses its objectives and puts in place the mechanisms by which it can monitor their achievement. Regular progress reports are presented to Cabinet and subject to scrutiny.

Departmental Service Improvement Plans that contain a variety of performance indicators and targets, that are regularly reviewed are maintained on the Performance Information Management System, support these plans.

- 4.3. Directorate, Divisional and Service unit business plans contain a variety of performance indicators and targets that are regularly reviewed.
- 4.4. The Council Constitution, which is annually reviewed by the Monitoring Officer, sets out the responsibilities of both Members and senior managers. In particular the Council has identified the three statutory posts as follows:-
  - Head of Paid Service - Chief Executive
  - Chief Financial Officer - Director of Finance
  - Monitoring Officer - Head of Legal and Member Services
- 4.5. The Head of Legal and Member Services (Monitoring Officer) has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Constitution is reviewed annually.
- 4.6. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/Solace Delivering Good Governance Framework, has developed a local Code of Corporate Governance and is working towards the National Good Governance Standard.
- 4.7. The arrangements for the provision of internal audit are contained within the Financial Regulations which are 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. The internal audit provision is managed by the Chief Internal Auditor and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.
- 4.8. The Wirral Internal Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Council establishments and assistance with fraud investigations. The resulting work plan is discussed and agreed with the Chief Officers and the Audit and Risk Management Committee and shared with the external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Wirral Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement. These are submitted to Members, Chief Officers, School Heads and Chairs of Governors as appropriate.
- 4.9. Wirral Internal Audit is subject to regular inspection by the external auditors who place reliance on the work carried out by the internal auditors and indicate in their most recent review that “internal audit provide an effective service that makes a good contribution to the control environment of the Council”.

- 4.10. The review of the effectiveness of the system of internal control reflects best practice guidance identified by the CIPFA Finance Advisory Network and is informed by:
- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny Committee reports;
  - the work undertaken by Wirral Internal Audit during the year;
  - the work undertaken by the external auditor reported in their Annual Audit and Inspection Letter;
  - Other work undertaken by independent inspection bodies.
- 4.11. From the work undertaken by Wirral Internal Audit in 2007/08 the Chief Internal Auditor was able to provide 'reasonable assurance' on the key areas of risk management, corporate governance and financial control. In this context 'reasonable assurance' means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council standing or Annual Accounts. Internal Audit did identify a number of concerns that required remedial action and these were reported to the appropriate Chief Officer or Senior Manager during the year.

## **5. Significant Governance Issues**

- 5.1. The Council, working with strategic partners and local communities has agreed the following strategic objectives:-
- To create more jobs, achieve a prosperous economy and regenerate Wirral.
  - To create a clean, pleasant, safe & sustainable environment.
  - To improve health and well being for all, ensuring people who require support are full participants in mainstream society.
  - To raise the aspirations of young people.
  - To create an excellent council.
- 5.2. These form the basis for the Corporate Plan and Performance Improvement Plans referred to above and provide the focus for the improvements which are being made in all areas of the Council.
- 5.3. Continued improvements in the way that the Council manages the delivery of Corporate Governance that include the implementation of the new CIPFA/SOLACE Delivering Good Governance Framework via the Corporate Governance Monitoring Group, the preparation of a revised Code of Corporate Governance and the formulation of a Corporate Governance Communications Group to propagate the required cultural changes by raising awareness and understanding should ensure that arrangements in this area remain effective.
- 5.4. The Comprehensive Performance Assessment (CPA) identified the Council as improving adequately and categorised as "two stars". The Audit Commission noted that "the Council is making good progress in a number of its priority areas but environmental services are an area for improvement. It has made good improvements in terms of reducing crime and fear of crime and in the regeneration of the area. Educational attainment continues to improve and poor

housing is being addressed. Environmental services performance has deteriorated compared to others but the Council is beginning to show good improvements as recycling rates are improving” Specific areas for improvement were identified by the CPA Corporate Assessment in the following areas:

- Improvement in the Planning system for the turnaround of cases,
- Continued improvement in helping older people live at home,
- Reduction in the number of road accidents.

Appropriate actions agreed with the Audit Commission are currently being implemented to address all of the issues identified and transform service delivery in those areas, with the intention of achieving three star status.

5.5. The Council has completed significant work to implement the Risk Management Framework within all departments to ensure that risks are identified and appropriate actions taken by relevant individuals to mitigate risks. Consequently, the Council has been assessed against the CIPFA five point Risk Maturity Model as ‘Risk Defined’ and improving; a good mid point score that acknowledges the nature of the work that has been undertaken to date. Further developments are scheduled and must be completed in the following areas to ensure that the infrastructure remains in place to advance the risk maturity and further embed risk management into the culture of the organisation:

5.5.1. Competency frameworks, job descriptions and performance appraisal systems in operation for Chief Officers and senior managers should be reviewed and details of responsibilities and targets included where appropriate.

5.5.2. The work being undertaken to further update the Corporate Risk Management Strategy should include the following:

- a statement to positively encourage risks to be considered as opportunities as well as threats.
- a definition of the role of the Members in the identification of corporate risks and evaluation of the effectiveness of the Corporate Risk Management Strategy.
- the Corporate Risk Management Strategy should be made available on the Intranet site.

5.5.3. The Council is currently developing a Corporate Risk Management Training Programme that will provide appropriate Members and officers with relevant training at specified intervals.

5.5.4. A framework is in the process of being established in order to formalise procedures to encourage the open and transparent reporting of risk management control failures across the Council.

5.5.5. The Council is currently considering the establishment of a body to coordinate day to day responsibility for monitoring risk management issues and overseeing the implementation of actions required to mitigate risks identified.

- 5.6. Equality and Diversity is a key element of the Council Plan and through equality impact assessments the Council has identified a number of priority actions to improve ways for people, particularly young people, hard to reach and disengaged groups to communicate with and influence the Council, tackling the causes of community unrest. It is important that these developments continue, particularly with respect to engaging the younger people of the Borough as the existing 'links' in this area are not consistent with those for other groups.
- 5.7. The Council continues to be actively involved in developing the way it works with partners and organises itself to deliver services. Developments are continuing in this area to update the partnership register and clarify the legal status all of the partnerships identified and the applicability of Council Codes of Conduct to partners.
- 5.8. The Council has, in its role as the Local Area Agreement (LAA) Accountable Body, established amongst its partners a commitment to a clear and common vision for Wirral and it is recognised that each of the partners identifies with their role in achieving this vision. The terms of reference for the Local Area Agreement Programme Board (LAAPB) identify its role in ensuring that the partnership achieves its targets and takes remedial action where necessary. However, whilst each of the member bodies has their own codes of conduct and shares a vision, the standards and behaviour are not explicitly articulated and consideration is being given to the preparation of a more formal agreement identifying shared values, expected behaviours, rights and duties that partner organisations should sign up to.
- 5.9. The Council continues to develop and implement extensive efficiency programmes to improve services and respond to the challenges of the Gershon report and the need to identify significant savings in both the current and future years.
- 5.10. Internal Audit has concluded that, based on the work undertaken, overall throughout the Council there are sound systems of internal control in place. However, improvements in the internal control environment can always be made and reports have been produced and discussed with Chief Officers and Members during the year that recommend appropriate actions to be taken within an agreed timescale to address weaknesses and improve systems of control in key areas that include the following:
- 5.10.1 The Council is fully committed to providing as safe an environment as is practicable for all its employees and for all customers and visitors who use its facilities. The recent introduction of the Corporate Manslaughter Act 2007 allowed for reviews of the existing health and safety management systems to ensure that they are in line with the Council vision. The Council has undertaken substantial work during the year to address a significant number of issues identified regarding the effectiveness of the physical security arrangements in operation at the major office complexes.
- 5.10.2 Work is continuing across the Council to address a number issues identified following a review of the effectiveness of the Recruitment and Selection policies and procedures in operation.

- 5.10.3. Following an internal governance review and subsequent comments by the Audit Commission a revised Whistleblowing Policy has been prepared for the Council that is to be widely publicised on the Internet site, the local Intranet and through the staff team briefing process,
- 5.10.4. The Council has recently produced a detailed ICT Strategy,
- 5.10.5. The Council Constitution is currently being reviewed for fitness for purpose and compliance with best professional practice as part of the annual governance review process.
- 5.10.6. Information security has improved but still remains a key issue within the Council. Revised standards have been produced and these need to be fully implemented during the year to prevent and minimise risk of the occurrence of fraud.
- 5.11. The Council is implementing the Single Status agreement which was made nationally between the National Joint Council (NJC) for Local Government and Signatory Trades Unions on 1 April 1997. This sets out the review of Pay and Grading which is designed to equalise terms and conditions of service for most Council employees. An integral part is the application of a job evaluation exercise covering all affected posts to ensure consistency, fairness and a justification for differences of grade and salary between jobholders.
- 5.12. We propose over the coming year to take any necessary steps to ensure that all of the above matters are addressed as appropriate to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
Chief Executive

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
Leader of the Council

## **SIGNATURE OF APPROVAL**

In line with the Accounts and Audit Regulations 2003 I confirm that these accounts were approved by the Audit and Risk Management Committee at the meeting held on 30 September 2008.

Signed on behalf of Wirral Council:

Chair of Audit and Risk Management Committee

Date:



## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF WIRRAL COUNCIL**

### **Opinion on the accounting statements**

I have audited the Authority accounting statements, pension fund accounts and related notes of Wirral Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Collection Fund and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Wirral Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective responsibilities of the Director of Finance and auditor**

The Director of Finance's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority accounting statements, pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year;
- the financial position of the Group and its income and expenditure for the year; and
- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority accounting statements, pension fund accounts and related notes and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword and the Pension Fund Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements, pension fund accounts and related notes. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements, pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements, pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements, pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority accounting statements, pension fund accounts and related notes.

### **Opinion**

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- The pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Authority's Responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Wirral Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

### **Best Value Performance Plan**

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 17 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Michael Thomas, District Auditor, Officer of the Audit Commission

Audit Commission, Heath Business Park, Runcorn, Cheshire, WA7 4QF

Date:

[A signed copy of the Auditor's report can be viewed at: Wirral Borough Council, Finance Department, Treasury Building, Cleveland Street, Birkenhead CH41 6BU]

## MAIN FINANCIAL STATEMENTS:

### INCOME AND EXPENDITURE ACCOUNT

The Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council during the year. It includes all day to day expenses and income on an accruals basis, in addition to transactions measuring the value of fixed assets actually consumed (depreciation and impairment) and the real projected value of retirement benefits.

To give a full picture of the financial performance of the Council during the year and the spending power at its disposal at 31 March 2008 the balance on the Income & Expenditure Account needs to be reconciled in the Statement of Movement in the General Fund Balance to the amount calculated by the relevant statutory provision.

2006-07 Net Rev Exp £000	Service	Gross Expend £000	2007-08 Gross Income £000	Net Rev Exp £000
	<b>Continuing Operations:-</b>			
4,016	Central Services to the Public	8,734	3,387	5,347
395	Court Services	434	-	434
46,216	Cultural, Environmental & Planning	99,973	25,997	73,976
33,380	Education Services	312,435	268,294	44,141
30,825	Highways, Roads & Transport	41,404	9,151	32,253
18,036	Housing Services	141,791	136,164	5,627
113,035	Social Services	167,551	46,486	121,065
4,049	Corporate & Democratic Core	4,485	6	4,479
<u>2,680</u>	Non Distributed Costs	<u>7,979</u>	-	<u>7,979</u>
<b>252,632</b>	<b>Net Cost of Continuing Operations</b>	<b>784,786</b>	<b>489,485</b>	<b>295,301</b>
	<b>Discontinued Operations:-</b>			
<u>(122)</u>	Local Authority Housing	310	2	<u>308</u>
<b>252,510</b>	<b>Net Cost of Services</b>			<b>295,609</b>
(2)	(Gain)/Loss on sale of fixed assets			(45)
(31)	(Surplus)/deficit on trading undertakings			(9)
9,428	Interest payable and similar charges			10,270
123	Contribution of housing capital receipts to Government Pool			212
(106)	Investment (gains)/losses			-
(3,464)	Interest and investment Income			(4,566)
<u>6,515</u>	Pensions interest costs and expected return on pensions assets			<u>5,503</u>
<b>264,973</b>	<b>Net Operating Expenditure</b>			<b>306,974</b>
(115,188)	Demand on the Collection Fund			(119,338)
(1,464)	Collection Fund Surplus from previous year			(430)
(21,932)	Revenue Support Grant			(19,239)
(5,471)	Private Finance Initiative Non Specific Grant			(5,471)
(109,721)	Distribution from Non-Domestic Rate Pool			(114,643)
(1,266)	Local Authority Business Growth Incentive Grant			(231)
<u>(1,785)</u>	Local Performance Service Agreement Reward Grant			<u>(331)</u>
<b>8,146</b>	<b>(Surplus)/Deficit for the year</b>			<b>47,291</b>

## MAIN FINANCIAL STATEMENTS:

### STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account but is met from the usable capital receipts balance rather than the council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that was raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure account and the General Fund Balance.

<b>2006-07</b>		<b>2007-08</b>
<b>£000</b>		<b>£000</b>
8,146	(Surplus)/Deficit for the year on the Income and Expenditure Account	47,291
<u>(17,858)</u>	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the GF balance	<u>(46,926)</u>
(9,712)	(Decrease)/Increase in the General Fund balance for the year	365
<u>(1,768)</u>	General Fund balance b/fwd	<u>(11,480)</u>
<b>(11,480)</b>	<b>General Fund balance c/fwd</b>	<b>(11,115)</b>

The balance on the General Fund is available for funding expenditure on services or in setting the Council Tax. The amounts relating to balances held by schools are accounted for as reserves and are not included in the General Fund balance.

**Analysis of reconciling items for the Statement of Movement on the General Fund Balance**

<b>2006-07</b>		<b>2007-08</b>
<b>£000</b>		<b>£000</b>
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:-</b>	
(17,816)	Depreciation and Impairment of General Fund fixed assets	(46,860)
2,868	Government grants deferred amortisation	2,197
(750)	Write down of deferred charges financed from capital resources	(10,271)
	Write down of deferred debtors written off / financed from	
-	capital resources	-
-	Net loss / gain on sale of fixed assets	45
	Amount by which finance costs calculated in accordance with the	
-	SORP differs from the amount determined by statute	(3,497)
2	Net loss/gain on sale of investments	-
(32,806)	Net charges for retirement benefits FRS17	(34,519)
<u>(1,812)</u>	Private Finance Initiative	<u>(1,812)</u>
<b>(50,314)</b>		<b>(94,717)</b>
	<b>Amounts not included in Income and Expenditure but required to be included by statute when determining the Movement on the General Fund for the year:-</b>	
6,103	Minimum Revenue Provision	6,929
958	Capital expenditure charged to revenue	688
(123)	Transfer from usable capital receipts re payment to the Pool	(212)
	Employers contributions to the Pension Fund and retirement	
	benefits payable direct to pensioners	
<u>25,277</u>		<u>27,423</u>
<b>32,215</b>		<b>34,828</b>
	<b>Transfers to or from General Fund Balance required to be taken into account when determining the Movement on the General Fund Balance for the year:-</b>	
129	Surplus transferred to HRA	-
<u>112</u>	Net transfer to/from earmarked reserves	<u>12,963</u>
<b>241</b>		<b>12,963</b>
<b>(17,858)</b>	<b>Net Amount Required to be Credited to the General Fund</b>	<b>(46,926)</b>

## MAIN FINANCIAL STATEMENTS:

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase or decrease in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets, gains or losses associated with Available-for-Sale financial assets and re-measurement of the net liability to cover the cost of retirement benefits.

<b>2006-07</b>		<b>2007-08</b>
<b>£000</b>		<b>£000</b>
8,146	Deficit for the year on the Income and Expenditure Account	47,291
(16,577)	(Surplus) / Deficit arising on the revaluation of fixed assets	(145,213)
-	(Surplus) / Deficit arising on the revaluation of Available-for-Sale financial assets	(790)
(38,255)	Actuarial (gains) / losses on Pension Fund assets and liabilities	112,292
8,199	Other (gains) and losses required to be included	(494)
2,418	(Surplus) / Deficit on the Collection Fund relating to Wirral	711
<b>(36,069)</b>	<b>Total Recognised (gains) / losses for the year</b>	<b>13,797</b>

## MAIN FINANCIAL STATEMENTS:

### BALANCE SHEET

2006-07 £000	2007-08	
	£000	£000
	<b>Fixed Assets (Note 19)</b>	
<b>1,026</b>		<b>971</b>
	<b>Intangible Fixed Assets</b>	
	<b>Operational Assets: -</b>	
402,170	- Other Land and Buildings	517,223
2,761	- Vehicles, Plant and Equipment	2,864
66,884	- Infrastructure Assets	76,801
<u>38,861</u>	- Community Assets	<u>40,281</u>
<b>510,676</b>		<b>637,169</b>
	<b>Non-Operational Assets</b>	
8,515	- Investment	9,337
7,252	- Surplus	5,800
<u>6,761</u>	- Construction	<u>23,352</u>
<b>22,528</b>		<b>38,489</b>
44,077	Deferred Consideration (Note 28)	42,265
3,319	Long-term Investments (Note 34)	1,434
6,753	Deferred Revenue Expenditure (Note 29)	-
<u>81,269</u>	Long-term Debtors (Note 30)	<u>76,941</u>
<b>135,418</b>		<b>120,640</b>
<b>669,648</b>	<b>Total Long-Term Assets</b>	<b>797,269</b>
	<b>Current Assets</b>	
412	- Stocks and Work in Progress (Note 31)	441
68,835	- Debtors (Note 32)	68,020
65,500	- Investments (Note 34)	77,186
<u>8,330</u>	- Cash and Bank	<u>5,660</u>
<b>143,077</b>		<b>151,307</b>
	<b>Current Liabilities</b>	
13,059	- Short Term Borrowing (Note 34)	3,345
<u>68,327</u>	- Creditors (Note 33)	<u>73,998</u>
<b>81,386</b>		<b>77,343</b>
<b>731,339</b>	<b>Total Assets Less Current Liabilities</b>	<b>871,233</b>
	<b>Long-Term Liabilities</b>	
269,725	Long-term Borrowing (Note 34)	283,872
23,514	Provisions (Note 37)	17,257
174,262	Government Grants Deferred	201,460
2,102	Deferred Credits (Note 38)	1,317
222,368	Liability Related to Defined Benefit Pension Scheme (Note 44)	341,756
<b>691,971</b>		<b>845,662</b>



<b>39,368</b>	<b>Total Assets Less Liabilities</b>	<b>25,571</b>
	<b>Financed by:</b>	
185,998	Capital Adjustment Account (Note 39)	148,010
-	Revaluation Reserve (Note 39)	134,855
-	Financial Instruments Adjustment Account (Note 39)	(3,511)
-	Available for Sale Financial Instruments Reserve (Note 39)	790
10,977	Capital Receipts Reserve (Note 39)	10,535
(222,368)	Pensions Reserve (Note 44)	(341,756)
53,790	Reserves - General (Note 39)	66,753
10,971	Balances (Note 40)	9,895
<b>39,368</b>	<b>Total Equity</b>	<b>25,571</b>

## MAIN FINANCIAL STATEMENTS:

### CASH FLOW STATEMENT

2006-07 £000		2007-08	
		£000	£000
	<b>REVENUE ACTIVITIES:</b>		
	<b>Cash outflows</b>		
333,357	Cash paid to and on behalf of employees	359,359	
54,483	NNDR paid to the national pool	54,850	
303,419	Other operating costs	329,777	
109,707	Housing Benefit paid out	116,061	
124	Payments to the Capital Receipts Pool	212	
<u>18,812</u>	Precepts Paid	<u>19,316</u>	
<b>819,902</b>			<b>879,575</b>
	<b>Cash inflows</b>		
108,407	Council Tax Receipts	113,133	
54,843	Non-Domestic rate receipts	55,201	
109,721	NNDR received from the national pool	114,643	
21,932	Revenue Support Grant	19,239	
117,014	DWP grants for benefits (Note 51)	114,141	
282,699	Other government grants (Note 51)	318,156	
31,861	Cash received for goods and services	36,117	
<u>132,042</u>	Other operating cash receipts	<u>136,717</u>	
<b>858,519</b>			<b>907,347</b>
<b>(38,617)</b>	<b>Net Cash Flow From Revenue Activities</b>		<b>(27,772)</b>
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:</b>		
	<b>Cash outflows</b>		
16,894	Interest Paid		20,428
	<b>Cash inflows</b>		
<u>9,980</u>	Interest Received		<u>10,402</u>
<b>(31,703)</b>	<b>Net Revenue Activity</b>		<b>(17,746)</b>
	<b>CAPITAL ACTIVITIES:</b>		
	<b>Cash outflows</b>		
53,409	Purchase of fixed assets	50,170	
<u>16,018</u>	Other capital payments	<u>21,820</u>	
69,427			71,990
	<b>Cash inflows</b>		
7,644	Sale of fixed assets	4,558	
40,570	Capital grants received (Note 51)	46,878	
<u>4,579</u>	Other capital cash receipts	<u>4,328</u>	
<u>52,793</u>			<u>55,764</u>
<b>(15,069)</b>	<b>Net Cash (Inflow) / Outflow Before Financing</b>		<b>(1,520)</b>

<b>2006-07</b> <b>£000</b>		<b>2007-08</b> <b>£000</b>
<b>MANAGEMENT OF LIQUID RESOURCES:</b>		
<u>7,354</u>	Net increase / (decrease) in other short-term investments	<u>11,686</u>
(7,715)		10,166
<b>FINANCING:</b>		
<b>Cash outflows</b>		
79,030	Repayments of amounts borrowed	54,504
<b>Cash inflows</b>		
12,000	New loans raised	23,000
63,129	New short term loans	39,000
<b>3,901</b>	<b>Net Financing</b>	<b>(7,496)</b>
<u>(3,814)</u>	<b>Overall (Increase) / Decrease in Cash</b>	<u>2,670</u>

## NOTES TO THE MAIN FINANCIAL STATEMENTS

### 1. PRIOR PERIOD ADJUSTMENTS

In 2006-07 a number of assets were revalued on the basis of depreciated replacement cost, whereas in 2005-06 these were valued to account for the fact that they were let on long-term leases at a peppercorn rental. Subsequent guidance has been obtained and as a consequence these assets have now been included to take account of the leases. The valuations now reflect those included in the 2005-06 accounts. The effect in 2006-07 would have been to:

- Remove the annual charge for depreciation
- Reduce the value of land and buildings

These changes have had the following impact on the comparative figures for 2006-07 compared with those published in the 2006-07 Statement of Accounts. There would have been a reduction in the depreciation charge for a number of services totalling £1,031,000. On the grounds of materiality, the Income and Expenditure Account has not, however, been adjusted to reflect this.

### STATEMENT OF MOVEMENT ON BALANCE SHEET

	<b>Per 2006-07 Statement of Accounts £000</b>	<b>Adjustment due to Revaluation £000</b>	<b>2006-07 Comparatives £000</b>
<b>Change in valuation methodology</b>			
Land and buildings	418,301	(16,131)	402,170
Fixed Asset Restatement Account	(176,648)	17,162	(159,486)
Capital Financing Account	(25,481)	(1,031)	(26,512)
Total Equity	55,499	(16,131)	39,368

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<b>Per 2006-07 Statement of Accounts £000</b>	<b>Adjustment due to Revaluation £000</b>	<b>2006-07 Comparatives £000</b>
(Surplus)/Deficit arising on the revaluation of assets	(32,708)	16,131	(16,577)
<b>Total recognised (gains)/losses for the year</b>	<b>(52,200)</b>	<b>16,131</b>	<b>(36,069)</b>

The 2006/07 comparative figures shown in the 2007/08 Balance Sheet have been adjusted to take account of the introduction of a new Revaluation Reserve and Capital Adjustment Account in the 2007 SORP. To affect this change the adjusted closing balances on both the Fixed Asset Restatement Account (£177m) and the Capital Financing Account (£25m) were transferred to the Capital Adjustment Account on 1 April 2007.

There are other changes to accounting policies as a result of the 2007 SORP which have not resulted in the restatement of the 2006/07 comparative figures:

- Deferred Revenue Expenditure - Deferred premiums have been reassessed in 2007/08. There has been no adjustment to 2006/07 comparative figures. To ensure that there is no adverse impact on the General Fund Balances a transfer of £3m has been made to the Statement of Movements on the General Fund Balances from the new Financial Instruments Adjustment Account.
- Accrued Interest on borrowing is no longer classified as a creditor. These amounts are now included with the carrying amount of the loan.

## **2. DISCONTINUED OPERATIONS**

The Authority transferred its Housing Stock to Wirral Partnership Homes (WPH) and Beechwood and Ballantyne Community Housing Association (BBCHA) on 7 February 2005. This followed a resolution from the Council and a positive ballot of its then tenants during the spring of 2004. The 2007-08 account entries reflect work undertaken to resolve any outstanding issues and liabilities relating to the HRA and which have been funded from the provision set-aside to meet these costs.

The Authority is required by statute to retain a Housing Revenue Account until such time that Secretary of State Approval has been granted to close the account. This approval was granted on 27 March 2007. Remaining balances have been transferred to the General Fund.

## **3. DEDICATED SCHOOLS GRANT**

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families, known as the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately. The Council is able to supplement the Schools Budget from its own resources and this year did not programme additional spending by schools.

Details of DSG receivable for 2007-08 are as follows:

	<b>Schools Budget Funded by Dedicated Schools Grant</b>		
	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Original grant allocation to Schools Budget for the current year in the authority's budget	18,365	161,816	180,181
Adjustment to finalise grant allocation	<u>(826)</u>	<u>-</u>	<u>(826)</u>
DSG receivable for the year	17,539	161,816	179,355
Actual expenditure for the year	<u>(17,792)</u>	<u>(161,818)</u>	<u>(179,610)</u>
(Over)/under spend for the year	(253)	(2)	(255)
Planned top-up funding of ISB from Council resources	-	-	-
Use of schools balances brought forward	-	-	-
(Over)/under spend b/f from prior year	<u>527</u>	<u>-</u>	<u>527</u>
<b>(Over)/under spend c/f to 2008-09</b>	<b>274</b>	<b>(2)</b>	<b>272</b>

#### **4. SECTION 137 OF THE LOCAL GOVERNMENT ACT 1972**

Section 137 empowers Local Authorities, subject to various conditions and limits, to incur expenditure that in their opinion is in the interest of their area or any part of it, or all or some of its inhabitants. Under this section Local Authorities are required to account separately for any such expenditure. During the year some £0.42m, compared with £0.35m in 2006-07, was spent under S137 powers.

#### **5. PUBLICITY**

The Council has incurred £1,529,000 during 2007-08 on publicity and advertising (£1,435,000 in 2006-07). This is analysed below:-

	<b>2006-07</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Recruitment Advertising	599	742
Publicity Advertising	759	646
Other Advertising	<u>77</u>	<u>141</u>
<b>Total</b>	<b>1,435</b>	<b>1,529</b>

## 6. 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 authority or other organisations. Details of the major units, which follow, have a trading objective to break even:-

### (1) Highways Services

The Council operates its Highways Services on the basis of an agreement between the service provider and the Director of Technical Services. Its operating results are:

	<b>2006-07</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Turnover	7,314	7,382
Expenditure	<u>7,308</u>	<u>7,339</u>
<b>Surplus (Deficit)</b>	<b>6</b>	<b>43</b>

### (2) Vehicle Maintenance Unit

The Vehicle Maintenance Unit won the contract under open competition and still operates along the lines of the former CCT DSO. Its operating results are:

	<b>2006-07</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Turnover	548	414
Expenditure	<u>548</u>	<u>414</u>
<b>Surplus (Deficit)</b>	<b>0</b>	<b>0</b>

### (3) Building Cleaning

The Council manages a Building Cleaning operation on the basis of an agreement between the service provider and other departments. Its operating results are:

	<b>2006-07</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Turnover	900	895
Expenditure	<u>863</u>	<u>929</u>
<b>Surplus (Deficit)</b>	<b>37</b>	<b>(34)</b>

### (4) Grounds Maintenance Services

The Council operates its Grounds Maintenance Services for the maintenance of council and other land on the basis of an agreement between the service provider and other council departments. Its operating results are:

	<b>2006-07</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Turnover	5,590	5,373
Expenditure	<u>5,590</u>	<u>5,373</u>
<b>Surplus (Deficit)</b>	<b>0</b>	<b>0</b>

## 7. OFFICERS' EMOLUMENTS

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 was:-

Remuneration Band	Number of Employees	
	2006-07	2007-08
£50,000 - £59,999	133	161
£60,000 - £69,999	31	35
£70,000 - £79,999	20	20
£80,000 - £89,999	7	12
£90,000 - £99,999	1	4
£100,000 - £109,999	5	2
£110,000 - £119,999	1	3
£120,000 - £129,999	0	1
£130,000 - £139,999	1	1

## 8. MEMBERS ALLOWANCES

During the year, Members were paid £821,579 (2006-07 £814,202). This covered basic, special responsibility, attendance and subsistence allowances.

## 9. RELATED PARTY TRANSACTIONS

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. For example 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.



During the year material transactions with related parties are as follows:-

<b>2006-07</b>		<b>2007-08</b>
<b>£000</b>		<b>£000</b>
	<b>Central Government</b>	
529,004	Revenue	570,442
44,216	Capital	43,449
	<b>European Community</b>	
-	Revenue	656
4,908	Capital	3,343
12,727	Merseyside Police Authority - Precept	13,296
5,849	Merseyside Fire and Civil Defence Authority - Precept	6,020
23,332	Merseyside Passenger Transport - Levy	24,242
11,429	Merseyside Waste Disposal Authority - Levy	12,799
139	Environment Agency - Flood Defence Levy	146
	<b>Merseyside Pension Fund</b>	
19,600	Payment of employer's superannuation contributions in respect of non teaching employees	21,500
	<b>Department for Children, Schools and Families</b>	
12,300	Payment of employer's superannuation contributions in respect of teaching employees	14,900

During the year the Council charged the Pension Fund £3.275m for expenses incurred in administering the fund.

Four Members of the Council are Board Members of Wirral Partnership Homes and three are Members of Beechwood and Ballantyne Community Housing Association. These Members have declared interests, where required, in items associated with these organisations.

## 10. BUILDING CONTROL

The Building (Local Authority Charges) Regulation 1998 Section 5(1) requires building control authorities to ensure that the income they receive from their charges fully recovers their costs over a rolling three year accounting period. The financial details are:-

	Chargeable	Non Chargeable	Total Building Control
	2007-08	2007-08	2007-08
	£000	£000	£000
Employees	464	228	692
Transport	22	6	28
Supplies and services	16	6	22
Central and Support Services	<u>293</u>	<u>94</u>	<u>387</u>
<b>Total Expenditure</b>	<b>795</b>	<b>334</b>	<b>1,129</b>
Building Regulation Charges	743	-	743
Miscellaneous Income	<u>11</u>	<u>17</u>	<u>28</u>
<b>Total Income</b>	<b>754</b>	<b>17</b>	<b>771</b>
<b>Surplus (Deficit)</b>	<b>(41)</b>	<b>(317)</b>	<b>(358)</b>
<b>Comparatives for 2006-07:-</b>			
Expenditure	678	256	934
Income	<u>799</u>	<u>-</u>	<u>799</u>
<b>Surplus (Deficit)</b>	<b>121</b>	<b>(256)</b>	<b>(135)</b>
<b>Comparatives for 2005-06:-</b>			
<b>Surplus (Deficit)</b>	<b>114</b>	<b>(223)</b>	<b>(109)</b>

## 11. THE NATURE AND AMOUNT OF ANY SIGNIFICANT AGENCY INCOME AND EXPENDITURE

The Department of Adult Social Services has a voluntary agreement with a number of outside organisations to act as administrators providing a number of exchequer functions such as payroll, cash flow and payments. Expenditure and income occur as a result of this quasi agency agreement and not as a direct function of the Council.

A summary of expenditure incurred on these activities, which are not included in the Income & Expenditure Account, is as follows: (expenditure and income on all regeneration projects is now included in the Council's accounts)

	2006-07	2007-08
	£000	£000
Costs incurred	2,686	2,537
Total amount reimbursable	2,686	2,537

## 12. INCOME FROM LOCAL AUTHORITIES AND OTHER PUBLIC BODIES

	2006-07 £000	2007-08 £000
Free nursing care - Primary Care Trusts	6,230	7,560
Continuing Health Care - Primary Care Trusts	-	3,232
Educational services – Grant Maintained and Charitable schools	126	111
Sports Centre - Use by Primary Care Trust	33	34
Services provided to Wirral Partnership Homes		
Community patrol	139	271
Anti-social behaviour team	257	265
Grounds maintenance	203	185
Right to buy valuations	148	149
Legal services	148	146
One Stop Shops	127	127
Housing adaptations	93	120
Out of hours service	108	110
Shops management	27	27
Vehicle maintenance	331	20
Information technology	293	215
System administration and support	25	-
Services provided to Beechwood and Ballantyne CHA		
Anti-social behaviour team	21	21
Other	<u>25</u>	<u>6</u>
<b>Total</b>	<b>8,334</b>	<b>12,599</b>

NB - All Expenditure is recovered and therefore the net Income/Expenditure is nil for both years.

## 13. DISCLOSURE OF AUDIT COSTS

In 2006-07 and 2007-08 the Council incurred the following fees relating to external audit and inspection:

	2006-07 £000	2007-08 £000
Fees payable to the Audit Commission for External Audit services carried out by the appointed auditor	373	380
Fees payable to the Audit Commission for certification of grant claims and returns	165	145
Fees payable to the Audit Commission in respect of statutory inspection	<u>44</u>	<u>46</u>
<b>Total charge for the year</b>	<b>582</b>	<b>571</b>

## 14. POOLED BUDGETS

Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues. Health service resources can be used to deliver local authority services and vice versa.

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

Wirral Council's contribution for 2007-08 is £499,000 (in 2006-07 £458,000) out of total expenditure of £1.6m.

## 15. COMMUNITY FUND

The Community Fund was established following the Large Scale Voluntary Transfer of the authority's housing stock on 7 February 2005. The Fund has a number of purposes including meeting warranty claims relating to the transferred stock, assisting to meet housing requirements, encouraging economic regeneration, helping to reduce crime and for other environmental benefits. Its funding is derived from savings on VAT arising during the refurbishment programmes undertaken by Wirral Partnership Homes and Beechwood and Ballantyne Community Housing Association and from the Housing Revenue Account balances transferred on closure of the HRA. The Fund is administered and held in a separate bank account by Wirral Partnership Homes. The use of the Fund is jointly controlled by representatives of Wirral Council and Wirral Partnership Homes. The Fund is operated as a joint arrangement non-entity with each of the partner organisations detailing their involvement within their respective statement of accounts.

During 2007-08 the Council transferred £5.123m to the Community Fund administered by WPH. Income was received from savings relating to the refurbishment programme VAT arrangements and from interest earned on the fund balances. Expenditure of £1.594m was incurred in the year relating to the funding of the 'Your Wirral' fund (a discretionary project funding element of the Wirral Council/WPH Community Fund) and for the funding of central heating works on WPH properties.

### Community Fund Statement

	£	£
Balance at 1 April 2007		5,022,638
Movement 2007-08		
Income		
-Transfer of HRA balances	5,123,295	
-Contributions arising from VAT savings	4,070,711	
-Interest received	<u>480,544</u>	9,674,550
Expenditure		<u>1,593,935</u>
<b>Balance at 31 March 2008</b>		<b>13,103,253</b>

## 16. LOCAL AREA AGREEMENT GRANT

The Council is a partner in the Wirral Local Area Agreement (LAA) that is a partnership with other public bodies, the private and the third (voluntary and community) sectors. The overarching theme of the LAA is:

'Raising expectations – realising potential, focusing our joint efforts and resources on engaging our communities fully to deliver a thriving Wirral for today and the future, where people want to live, work, visit and invest.'

- Extract from 'Getting Better Together' A Local Area Agreement submission for Wirral February 2006.

The Current LAA is a three-year agreement commencing from 1 April 2006 between Wirral's Local Strategic Partnership (from which members of the LAA Board is derived) and Government Office North-West. The agreement includes:

- A commitment for partners to jointly agree and deliver outcomes which will contribute to the promotion of a cohesive, safe and sustainable communities across Wirral.
- A commitment to ensure the LAA supports the objectives of Wirral's Sustainable Community Strategy.

The LAA partners include amongst others Wirral Council, Wirral Primary Care Trust, Wirral Hospital NHS Trust, Merseyside Police Authority, Wirral Voluntary and Community Sector Network, Job Centre Plus, the Learning and Skills Council and the private sector.

Wirral Council is the accountable body for the Wirral LAA and is responsible for performance and financial monitoring. As accountable body the authority is responsible for the proper use of any grant funding received and for ensuring compliance with the LAA grant determination. There is risk of grant 'clawback' if LAA grant is incorrectly used by itself or other recipients of the LAA grant. This risk is mitigated by the authority operating a robust governance and reporting framework for the LAA. Regular financial reports are submitted to the LAA Board and Wirral's cabinet on LAA finances and robust systems exist for the allocation and monitoring of grant use.

The LAA Board is not a legal entity and does not have formal decision making powers. The board instead works to co-ordinate its member activities to jointly deliver the LAA aims. Decisions regarding the financial allocations are agreed by Wirral Council and therefore the Council acts as a principal for the LAA grant. All appropriate day-to-day transactions are contained within the Authority income and expenditure account, whilst LAA grant balances carried forward to be utilised in later years are shown within the balance sheet reserves. No contingent liabilities have been identified in respect of repayments of likely repayment LAA grant and no provisions have been made in the accounts for this eventuality.

The value of LAA grant received for 2007/08 was £15,394,867. This was added to the 2006/07 LAA grant balance carried forward of £131,507 and the Neighbourhood Renewal Fund balance carried forward of £261,623 as NRF was incorporated into the LAA for the first time in 2007/08. Expenditure of £15,096,915 was incurred to fund LAA activity with the remaining balance carried forward in accordance with the LAA grant determination rules for use in meeting commitments in 2008/09.

#### Local Area Agreement Grant Statement

	£	£
Balance at 1 April 2007		131,507
Movement 2007-08		
Income		
-Transfer of Neighbourhood Renewal Fund balance	261,623	
-LAA Grant for 2007-08	<u>15,394,867</u>	15,656,490
Expenditure		<u>15,096,915</u>
<b>Balance at 31 March 2008</b>		<b>691,082</b>

The £15,096,915 of expenditure is reflected within the authority's accounts and the LAA grant balances are held within the Balance Sheet.

## **17. UNDISCHARGED OBLIGATIONS ARISING FROM LONG TERM CONTRACTS**

In March 2001 the Council entered into a Private Finance Initiative arrangement with Jarvis Construction for the renovation and new build of 9 schools. A Deed of Amendment and Restatement was entered into on 9 September 2004 to extend the contract until 31 July 2031. As a consequence payments will now be made to Wirral Schools Services Limited (WSSL) until 2031-32. At 31 March 2008 outstanding payments to WSSL are £278.6m.

## 18. GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments in 2007-08 consists of the following items:

	<b>Financial Liabilities</b>	<b>Financial Assets</b>	
	<b>Liabilities measured at amortised cost £000</b>	<b>Loans and Receivables £000</b>	<b>Available for sale assets £000</b>
Interest Expense	(10,270)		
<b>Interest payable &amp; similar charges</b>	<b>(10,270)</b>		
Interest Income		4,039	527
<b>Total Interest and Investment Income</b>		<b>4,039</b>	<b>527</b>
Gains on revaluation			790
<b>Surplus arising on revaluation of financial assets</b>			<b>790</b>
<b>Net gain / (loss) for the year</b>	<b>(10,270)</b>	<b>4,039</b>	<b>1,317</b>

This compares with the gains and losses recognised in the Income and Expenditure Account in relation to financial instruments in 2006-07:

	<b>Financial Liabilities</b>	<b>Financial Assets</b>	
	<b>Liabilities measured at amortised cost £000</b>	<b>Loans and Receivables £000</b>	<b>Available for sale assets £000</b>
Interest Expense	(9,428)		
<b>Interest payable &amp; similar charges</b>	<b>(9,428)</b>		
Interest Income		3,368	96
<b>Total Interest and Investment Income</b>		<b>3,368</b>	<b>96</b>
Gains on revaluation			-
<b>Surplus arising on revaluation of financial assets</b>			<b>-</b>
<b>Net gain / (loss) for the year</b>	<b>(9,428)</b>	<b>3,368</b>	<b>96</b>

## 19. MOVEMENT ON FIXED ASSETS

Movements in fixed assets during the year were as follows:-

	Intangible Assets £000	Land and Buildings £000	Vehicles and Equipment £000	Infrastructure £000	Community Assets £000	Non- Operational Investment £000	Non- Operational Surplus £000	Non- Operational Construction £000	Total £000
<b>Gross Book Value at 1 April 2007</b>	<b>1,466</b>	<b>487,571</b>	<b>6,370</b>	<b>81,114</b>	<b>38,861</b>	<b>8,665</b>	<b>7,252</b>	<b>6,761</b>	<b>638,060</b>
Accumulated depreciation and impairment	(440)	(85,401)	(3,609)	(14,230)	-	(150)	-	-	(103,830)
Net Book Value at 1 April 2007	1,026	402,170	2,761	66,884	38,861	8,515	7,252	6,761	534,230
Expenditure	112	13,245	1,273	11,775	1,222	27	137	20,791	48,582
Revaluations	-	85,542	-	-	-	1,210	498	-	87,250
Impairment	-	(29,370)	(595)	-	-	(310)	(1,063)	-	(31,338)
Reclassification	-	4,004	-	-	198	(2)	-	(4,200)	-
Disposals	-	(135)	-	-	-	(103)	(1,024)	-	(1,262)
Depreciation in year charged to revenue	(167)	(12,922)	(575)	(1,858)	-	-	-	-	(15,522)
Depreciation adjustment due to revaluations	-	54,689	-	-	-	-	-	-	54,689
<b>Net Book Value at 31 March 2008</b>	<b>971</b>	<b>517,223</b>	<b>2,864</b>	<b>76,801</b>	<b>40,281</b>	<b>9,337</b>	<b>5,800</b>	<b>23,352</b>	<b>676,629</b>



## 20. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

	2006-07 £000	2007-08 £000
<b>Opening Capital Financing Requirement 1 April</b>	<b>194,598</b>	<b>206,492</b>
<b>Capital Investment</b>		
Intangible Assets	-	112
Operational Assets	44,338	27,515
Non-Operational Assets	4,682	20,955
Deferred Charges	<u>16,018</u>	<u>24,615</u>
	65,038	73,197
<b>Sources of Finance</b>		
Capital Receipts	(3,009)	(5,000)
Government Grants and Other Contributions	(42,901)	(43,741)
Revenue Provision	<u>(7,061)</u>	<u>(7,617)</u>
	(52,971)	(56,358)
PFI reversionary interest	<u>(173)</u>	<u>(180)</u>
<b>Closing Capital Financing Requirement 31 March</b>	<b>206,492</b>	<b>223,151</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (supported by Government financial assistance)	9,462	10,670
Increase in underlying need to borrow (unsupported by Government financial assistance)	<u>2,432</u>	<u>5,989</u>
<b>Change in capital financing requirement</b>	<b>11,894</b>	<b>16,659</b>

During 2007-08 expenditure on deferred charges has arisen from two areas:

- **Capital Expenditure**  
The authority seldom controls the economic benefits arising from Capital Expenditure. Primarily this covers expenditure arising from certain regeneration initiatives and the payment of disabled facilities and improvement grants.
- **Pay Inequality**  
The authority has identified pay inequalities among its employees and back pay has subsequently been paid to individuals who have been treated unfairly. In respect of this issue a capitalisation direction was obtained from the government. This allowed the authority to avoid charging these costs directly to revenue, rather they can be spread over a number of years as a result of borrowing to fund these costs.

The movement in the year is analysed as follows:

	2006-07 £000	2007-08 £000
Capital Expenditure	16,018	17,131
Equal Pay – Back Pay	-	7,484
Funded from grants	(15,200)	(14,344)
Funded from Major Repairs Reserve	<u>(68)</u>	<u>-</u>
<b>Balance to Income &amp; Expenditure Account</b>	<b>750</b>	<b>10,271</b>

## 21. STATEMENT OF PHYSICAL ASSETS

Wirral Council owns the following major assets: -

### **BUILDINGS** **At 31.3.08**

#### **Children's**

Primary/Nursery Schools	81
Secondary Schools	12
Youth Centres	13
Special Schools	11
Teachers Centre	1
Children's Centre	1
Children's Homes	4

#### **Cultural Services**

Libraries	25
Play/Community Centres	16
Halls	8
Sports Centres	10
Cemeteries & Crematorium	8
Golf Courses	4
Art Galleries/Museums/Archives	5
Paintings and Prints	6000
Ceramic Objects	1800
Coins and medals	952
Ethnographic, Domestic and Archaeological Objects	899
Theatre/Exhibition Centres	2
Birkenhead Park Pavilion	1

#### **Adults Services**

Elderly Person's Homes	5
Day Centres	19
Residential Disabled Supported Living	9
Group Homes	11

#### **Miscellaneous**

Industrial & Retail Units	111
Shops	2
Administration Buildings	16
Public Toilets	13
Millennium Centre	1
Residential	4
Advice Bureau	1

### **OTHER ASSETS** **At 31.3.08**

#### **Infrastructure**

Unclassified Roads	834	km
Other Public Slip Roads, Passageways	154	km
Classified Non Principal	116	km
Principal Roads	99	km
Street Lights	37,927	
Pelican / Puffin Crossing Installations	115	

Traffic Signal Installations	95
Car Parks	73
Bridges	53
<b>Land</b>	
Open Spaces	85
Allotments & Agricultural	88
Parks & Gardens	75
Playgrounds & Playing Fields	60
Woodland & Heathland	25
Nature Reserves	7
Clearance Areas	19
Housing development sites	19

## 22. VALUATION INFORMATION

The authority adopts a five-year rolling programme of valuations under which all assets have been re-valued by March 2008. A valuation certificate for all land and properties, with the exception of infrastructure was provided for the 2007-08 financial year by R.M. Hird MRICS, employed by the Department of Corporate Services

Valuation methods are as follows:-

- Operational assets are included at the lower of net current replacement cost or net realisable value in existing use.
- Infrastructure assets and community assets are included in the balance sheet at historic cost net of depreciation.
- Investment properties and assets that are surplus to requirements are included at the lower of net current replacement cost or net realisable value.

The following table shows the progress of the Council's rolling programme for the revaluation of fixed assets:-

	<b>Land and Buildings £000</b>	<b>Investment &amp; Surplus £000</b>
Valued at current value in		
2007-08	364,706	942
2006-07	182,939	8,919
2005-06	442,416	6,404
2004-05	93,146	325
2003-04	3,960	-
	<b>1,087,167</b>	<b>16,590</b>

Depreciation is charged using straight-line method based upon the estimated useful life of the various classes of assets.

The Housing Market Renewal Initiative is a major government funded capital strategy, envisaged to be of 10 to 15 year duration, aimed at improving the local housing market in Wirral through extensive regeneration. Expenditure on the acquisition of fixed assets undertaken under the HMRI, with the exception of compensation payments and environmental improvements (classed as deferred charges), has been classified as assets under construction. This contrasts with the previous year where they were

treated as land and buildings and then transferred to, what was then, the Fixed Asset Restatement Account.

The historic value of the collections of paintings and other objects held in the Councils Art Galleries, Museums and Archives is considered incalculable due to their unique nature. A nominal amount of £1 is included for each of these assets. Work is currently taking place to update records on our museums items.

A number of schools have approved change of status and are classed as Foundation Schools with the land and buildings owned by the respective governing body. The value of these assets, £22.2m, is excluded from the Council's own land and building portfolio.

### 23. ANALYSIS OF NET ASSETS EMPLOYED

	<b>2006-07</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
General Fund	261,736	367,327
Pensions Reserve	<u>(222,368)</u>	<u>(341,756)</u>
	<b>39,368</b>	<b>25,571</b>

### 24. INTANGIBLE FIXED ASSETS

	<b>Balance</b>		<b>Written</b>	<b>Balance</b>
	<b>1.4.07</b>	<b>Additions</b>	<b>Down</b>	<b>31.3.08</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Purchased software licence	1,026	112	(167)	971

Software licences are held in connection with the Council's information technology programme (One Business) and a Geographical Information System. The cost is being written off over the perceived minimum life of the licences.

### 25. DEPRECIATION

For all assets subject to depreciation, that depreciation has been charged in accordance with the requirements of FRS15 "Tangible Fixed Assets" on a straight-line basis. Each asset's useful life is assessed as the basis of calculating the annual depreciation charge. These range from 4 years for computer equipment to 50 years for buildings.

### 26. COMMITMENTS UNDER CAPITAL CONTRACTS

Significant contracts for future capital expenditure include:-

	<b>£000</b>
Housing Market Renewal Initiative (HMRI)	29,530
New secondary school in Woodchurch	25,000
Floral Pavilion new build	7,854
Provision of new teaching block - West Kirby Grammar	1,450
Provision of new teaching block – Pensby High School	1,000
Oval 5-a-side Pitches	559
Provision of new teaching block - Wirral Grammar Boys	455
Bidston Village School Extension	275
Frankby Cemetery	259

The £29.5m represents the anticipated HMRI Capital Programme for 2008 to 2011. Because of the nature of the expenditure it is not possible to say with any certainty what proportion of this is contractually committed.

There is a liability in respect of the Bidston Moss viaduct that is shared between the Council, Merseytravel and the Highways Agency. Subject to final approval the scheme will commence during 2009 and be completed by June 2012. Anticipated costs are in the region of £76m, the Council's contribution being approximately £3m.

## 27. LEASING

The Authority uses various types of vehicles, computer equipment and furniture financed under terms of an operating lease. The amount paid under these arrangements in 2007-08 was £2,046,000 (2006-07 £1,225,000) and payments are analysed below. The SORP requires charges to be made evenly throughout the period of the lease.

	<b>2006-07</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Information Technology	785	1,161
Wheeled Bins	0	379
Vehicles	299	344
Sport and Recreation	73	78
Grounds Maintenance Equipment	52	68
Telephone Equipment	<u>16</u>	<u>16</u>
	<b>1,225</b>	<b>2,046</b>

The Authority was committed at 31 March 2008 to making payments of £1,549,000 under operating leases in 2007-08 comprising the following elements:

	<b>£000</b>
Leases expiring in 2008-09	610
Leases expiring between 2009-10 and 2013-14	560
Leases expiring after 2013-14	<u>379</u>
	<b>1,549</b>

Authority as lessor – The authority leases various industrial units, the gross value of which is £5,496,500 (£4,701,500 in 2006-07). Rental income on these properties amounted to £286,900 in 2007-08 (£321,000 in 2006-07).

## 28. DEFERRED CONSIDERATION

On 27 March 2001 the Council entered into a Private Finance Initiative contract for the renovation and new build of 9 schools. A Deed of Amendment and Restatement was entered into on 9 September 2004 to extend the contract until 31 July 2031. Total payments to Wirral Schools Services Ltd (WSSL) will be £315.7m and over the same period we will receive additional government grant of £161.2m.

One of the fundamental principles of the contract is that on completion of the work any risk associated with that particular school transfers to WSSL. Accordingly any such assets are no longer shown in the Council's Balance Sheet. By 31 March 2006 the 9 schools had been transferred to WSSL (7 refurbishments and 2 new build). In 2005-06

the Balance Sheet was reduced by a further £1.6m in addition to £58.5m prior to 1 April 2005. In respect of the 7 refurbished schools, these were transferred to WSSL at nil consideration. In effect this would result in lower annual payments over the life of the contract. To reflect this a deferred consideration of £49,512,571 was recognised in 2004-05 that will be amortised annually in the accounts until the contract ends in July 2031.

	<b>Balance</b>	<b>Written</b>	<b>Balance</b>
	<b>1.4.07</b>	<b>Down</b>	<b>31.3.08</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Wirral Schools Services Ltd	44,077	(1,812)	42,265

## 29. DEFERRED REVENUE EXPENDITURE

Premiums incurred by prematurely repaying debt were, up until 31 March 2007, shown in the balance sheet as deferred revenue expenditure. At this date £6.7m was still outstanding. In order to comply with the changes introduced by the 2007 Accounting Code of Practice the balance outstanding at 31 March 2008 is now included as a component of the carrying amount of the associated loan debt.

## 30. LONG TERM DEBTORS

	<b>Balance</b>		<b>Repaid/</b>	<b>Balance</b>
	<b>1.4.2007</b>	<b>Advances</b>	<b>Re-classed</b>	<b>31.3.2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Repayment of Former M.C.C. Debt	80,436	-	(4,469)	75,967
Wirral Schools PFI	568	197	-	765
Repayment of Council Mortgages	262	-	(53)	209
Risk Management Loans	<u>3</u>	<u>-</u>	<u>(3)</u>	<u>-</u>
	<b>81,269</b>	<b>197</b>	<b>(4,525)</b>	<b>76,941</b>

£76.0 million relates to outstanding debt in respect of the former Merseyside County Council. This is calculated according to a statutory regulation, whereas the actual balance of the loans referred to in Note 34 are determined by the existing loan repayment profile.

## 31. STOCKS

	<b>31.3.2007</b>	<b>31.3.2008</b>
	<b>£000</b>	<b>£000</b>
Operational and Building Services	151	180
Regeneration	116	122
Educational Services	66	92
Other	<u>79</u>	<u>47</u>
	<b>412</b>	<b>441</b>

### 32. DEBTORS

	31.3.2007	31.3.2008
	£000	£000
<b>Amounts falling due in one year</b>		
Sundry Debtors	34,567	30,637
Government Departments	17,197	20,029
Collection Fund	15,090	15,394
Other Public Bodies	15,028	14,768
Prepayments	472	1,453
European Community	508	436
Financial Institutions	<u>1,896</u>	<u>149</u>
	<b>84,758</b>	<b>82,866</b>
Bad Debts Provision	<u>15,923</u>	<u>14,846</u>
	<b>68,835</b>	<b>68,020</b>

### 33. CREDITORS

	31.3.2007	31.3.2008
	£000	£000
Sundry Creditors	30,442	29,541
Other Public Bodies	5,953	13,543
Government Departments	15,104	9,888
European Community	805	485
Financial Institutions	<u>2,465</u>	<u>26</u>
	<b>54,769</b>	<b>53,483</b>
Receipts in Advance	<u>13,558</u>	<u>20,515</u>
	<b>68,327</b>	<b>73,998</b>

### 34. FINANCIAL INSTRUMENTS BALANCES

The borrowings and investments disclosed in the balance sheet are analysed across the following categories:

Long Term	Short Term		Long Term	Short Term
31.3.2007	31.3.2007		31.3.2008	31.3.2008
£000	£000		£000	£000
		<b>Financial Liabilities</b>		
		<b>Borrowings</b>		
90,803	3,475	PWLB	110,737	3,289
176,085	9,529	Financial Institutions	172,854	-
<u>2,837</u>	55	Other Public Bodies	<u>281</u>	<u>56</u>
<b>269,725</b>	<b>13,059</b>	<b>Total Borrowings</b>	<b>283,872</b>	<b>3,345</b>
<b>269,725</b>	<b>13,059</b>	<b>Total Financial Liabilities</b>	<b>283,872</b>	<b>3,345</b>
		<b>Financial Assets</b>		
2,500	65,500	Loans and Receivables	-	62,067
<u>819</u>	-	Available for sale financial assets	<u>1,434</u>	<u>15,119</u>
<b>3,319</b>	<b>65,500</b>	<b>Total Financial Assets</b>	<b>1,434</b>	<b>77,186</b>

In accordance with the 2007 SORP the carrying amounts shown for 31 March 2007 have not been re-measured to amortised cost or fair value and are shown at their nominal amounts. The carrying amounts at 31 March 2008 are shown at amortised cost for borrowings and loans and receivables and at fair value for the available for sale financial assets.

### 35. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The Council's financial liabilities and financial assets are represented by borrowings and investments carried in the Balance Sheet at amortised cost. The 2007 SORP requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined as the amount for which 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 2007 and 31 March 2008 consisted of loans from the Public Works Loan Board (PWLB) and market loans from banks. 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 these dates.

For the Council's Market loans the banks were requested to provide details of the Fair Values on each loan. Two of the Banks responded to this request and have 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 31st March 2007 and 31st March 2008.



In the case of the Council's investments, these consisted of term deposits, unit trusts (including a money market fund) and a small amount of gilts. The contractual arrangements for term deposits do not permit premature repayment therefore the fair values have been assessed as being the same as the carrying amount on the balance sheet. Unit trusts, including the money market fund and Gilts are already shown in the balance sheet at fair value based on their quoted market price.

<b>Carrying amount</b>	<b>Fair value</b>		<b>Carrying amount</b>	<b>Fair value</b>
<b>31.3.2007</b>	<b>31.3.2007</b>		<b>31.3.2008</b>	<b>31.3.2008</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
		<b>Financial Liabilities:</b>		
<u>282,784</u>	<u>329,221</u>	Total Borrowings	<u>287,217</u>	<u>360,082</u>
<b>282,784</b>	<b>329,221</b>	<b>Total Financial Liabilities</b>	<b>287,217</b>	<b>360,082</b>

The fair value is greater than the carrying value because the Councils loans include a number of loans where the interest payable is higher than the rates available for similar loans at the balance sheet date. This requirement to pay interest rates above the current market loan rates increases the amount that the Council would pay if the lender requested or agreed to early repayment of the loans.

<b>Carrying amount</b>	<b>Fair value</b>		<b>Carrying amount</b>	<b>Fair value</b>
<b>31.3.2007</b>	<b>31.3.2007</b>		<b>31.3.2008</b>	<b>31.3.2008</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
		<b>Financial Assets:</b>		
63,000	63,000	Loans and Receivables	62,067	62,067
<u>5,819</u>	<u>6,616</u>	Available for sale financial assets	<u>16,553</u>	<u>16,553</u>
<b>68,819</b>	<b>69,616</b>	<b>Total Financial Assets</b>	<b>78,620</b>	<b>78,620</b>

The fair value is shown as the same as the carrying value. This is because loans are at short term interest rates (less than 12 months) which correspond to market rates and no premature repayment is allowed.

### **36. 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. This includes a Treasury Management Strategy that sets out the parameters for the management of risks associated with Financial Instruments. All Treasury Management activities are carried out in accordance with the strategy. Approved by the Council the priority is to give to security and liquidity, rather than yield, 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 other parties may fail to pay amounts due to the Council.

- **Liquidity Risk:** The possibility that the Council might not have fund available to meet its commitments to make payments.
- **Market Risk:** The possibility that the financial loss might occur for the Council due to changes in interest rates, market prices etc.

## Credit Risk

Credit Risk arises from deposits with banks and financial institutions, loans that have been made and from normal trade debtors defaulting on amounts due.

The Council manages credit risk by ensuring that investments are placed with central government, other local authorities or Banks and Building Societies 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. The Council has no historical experience of counterparty default.

The table below summarises the nominal value of the Council's investment portfolio at the end of the financial year into the relative credit rating. The Balance Sheet shows these investments on an amortised basis.

Financial Institution / Instrument	Long Term Rating	Short Term Rating	Balance Invested as at 31 March 2008 £000
<b>Banks</b>	AA+	F1+	0
	AA	F1+	0
	AA-	F1+	11,500
	A+	F1	2,000
	A	F1	16,000
<b>Total Investment with Banks</b>			<b>29,500</b>
<b>Building Societies</b>	AA-	F1+	0
	A+	F1	2,000
	A	F1	13,400
	A	F1+	3,000
	A	F2	2,000
	A-	F2	4,600
	unrated societies		6,000
<b>Total Investment with Building Societies</b>			<b>31,000</b>
Gilts	AAA	F1+	1,031
Money Market Fund	AAA	F1+	14,830
Other Unit Trust	n/a	n/a	578
<b>Total Investment in Gilts and Unit Trusts</b>			<b>16,439</b>
<b>Total Investment</b>			<b>76,939</b>

Long Term Rating A denotes expectations of low credit risk. The capacity for payment of financial commitment is considered strong.

Short Term Rating F1 denotes – the strongest capacity for timely payment for financial commitments.

Investments in counterparties which fall outside the Council’s approved credit risk criteria, as stated in the Treasury Management Strategy Statement, do so because either the counterparty’s rating has fallen since the investment was made or the investment was made prior to the tighter credit risk criteria being approved.

The credit risk associated with loans secured against property is minimal. Trade debtors are also subject to non payment, bad debt provision is calculated for these based on the historical experience of levels of default. By including these provisions within the accounts the credit risk is recognised in the accounts.

<b>Trade Debtors</b>	<b>£000</b>
Gross Debtors	11,825
Bad Debt Provision	2,030
<b>Net Trade Debtors</b>	<b>9,795</b>

### Liquidity Risk

The Council has access to borrowing facilities from the Public Works Loan Board. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Councils strategy is to maintain a balances maturity portfolio such that debt repayable in any one year is not excessive.

The maturity analysis of the nominal value of the Council’s debt at 31 March 2008 (an amortised value is shown in the Balance Sheet) was as follows:

		<b>31.3.2008</b>	<b>31.3.2008</b>
	<b>Borrowings Maturity</b>	<b>£000</b>	<b>%</b>
<b>Total Short Term Borrowing</b>	Less than 1 year	<b>3,274</b>	<b>1.14</b>
Long Term Borrowing	1 year and within 2 years	14,000	4.87
	2 years and within 10 years	100,100	34.83
	10 years and within 25 years	44,029	15.32
	25 years and within 50 years	95,000	33.05
	50 years plus	<u>31,000</u>	<u>10.79</u>
<b>Total Long Term Borrowing</b>		<b><u>284,129</u></b>	<b><u>98.86</u></b>
<b>Total Borrowing</b>		<b>287,403</b>	<b>100.00</b>

All trade and other payables are due to be paid in less than one year.

## **Market Risk**

The Council is exposed to the following risks:

### **(1) Interest Rate Risk:**

The Council is exposed to risks associated with changes in interest rates on its borrowings and lendings. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 50% on external debt that can be subject to variable interest rates. At 31 March 2008 97% 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.

### **(2) Price risk:**

The Council only invests in a small amount of unit trusts 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 asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

## 37. 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.

	<b>Balance 1.4.2007</b>	<b>Add: Contri- butions</b>	<b>Less: Write- offs</b>	<b>Reduced Require- ment</b>	<b>Balance 31.3.2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Council Tax	6,928	488	(1,067)	-	6,349
Housing Benefit	5,687	-	(926)	-	4,761
Sundry Debtors	1,674	440	(40)	(44)	2,030
NNDR	965	554	(455)	-	1,064
Summons Costs	<u>669</u>	<u>1</u>	<u>(28)</u>	<u>-</u>	<u>642</u>
	<b>15,923</b>	<b>1,483</b>	<b>(2,516)</b>	<b>(44)</b>	<b>14,846</b>

### Others

The provisions figure shown in the Balance Sheet comprises:

	<b>Balance 1.4.2007</b>	<b>Additions</b>	<b>Utilised</b>	<b>Balance 31.3.2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Housing Benefit	6,100	-	(500)	5,600
Insurance Fund	5,914	-	(1,318)	4,596
Local Pay Review	-	2,592	-	2,592
Collection Fund	-	1,200	-	1,200
Equal Pay Back Pay	-	437	-	437
Highway Maintenance	464	-	(27)	437
Highway Works	70	246	-	316
Replacement Wheelie Bins	200	-	-	200
Merseyside Information Service	168	10	-	178
Highway Maintenance Contract	-	175	-	175
Match Funding	225	-	(58)	167
Local Development Framework	165	-	(5)	160
Regeneration Clawback	571	78	(552)	97
Human Resources Administration	189	-	(111)	78
Community Fund Transfer	8,771	-	(8,771)	-
Other	<u>677</u>	<u>658</u>	<u>(311)</u>	<u>1,024</u>
	<b>23,514</b>	<b>5,396</b>	<b>(11,653)</b>	<b>17,257</b>

### Housing Benefit

The Council is able to claim subsidy for a substantial proportion of Housing and Council Tax Benefit payments made to eligible claimants. This involves the submission of annual claims to the Department for Work and Pensions (DWP) that are subject to audit by the Audit Commission.

The remaining longstanding claims are to be finally settled with the DWP with the Council having agreed to the settlement that is expected in 2008/09.

Changes in the interpretation of legislation and subsidy arrangements require adjustments to be made to prior years. The Council reserves the right to challenge the reasonableness of any calculations in respect of claw-back.

### **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.

### **Local Pay Review**

The amount identified, and set-aside, to fund the costs of implementing the Council's proposals to harmonise and simplify working arrangements as well as meeting the requirements arising from the implementation of equal pay legislation. This has been separately identified between a provision, which relates to the anticipated costs for the implementation of Phase 1, and a reserve for the implementation of subsequent phases.

### **Collection Fund**

This sum has been set-aside to meet the Council's share of the deficit on the Collection Fund reported for the 2007-08 financial year.

### **Equal Pay Back Pay**

The authority has identified pay inequalities among its employees and back pay has subsequently been paid to individuals who have been treated unfairly. This provision represents the cost of those claims that have been settled after 31 March 2008.

### **Highway Maintenance**

Provision set-aside to improve footpaths in, and around, housing estates as part of meeting the overall risk management strategy.

### **Highways Works**

This is a contingency for the writing-off of irrecoverable debts that may include rechargeable works, road reinstatements and outstanding debtors to the Operational Services Division.

### **Replacement Wheelie Bins**

Forming part of the overall strategy to replace wheelie bins as they become subject to deterioration.

### **Merseyside Information Service**

To be used to cover costs arising from the winding up of this organisation. The provision will be used when the accounts for the services have been finalised.

### **Highway Maintenance Contract**

To meet the costs associated with the pre-tender work involved in letting the complete highway maintenance contract package.

### **Match Funding**

This is required to match a series of commitments including artistic and cultural developments, golf events and the Hoylake and West Kirby improvement plan.

### **Local Development Framework**

This represents the sum remaining for the implementation of a number of studies that were approved by Cabinet on the 15 March 2007.

### **Regeneration Claw-back**

A number of refurbishment schemes have been undertaken using government grants. Any assets that are subsequently sold may require the grant to be repaid. An assessment of this eventuality was undertaken during the year and it was decided that the majority of the provision was no longer required.

### **Human Resources Administration**

The Council is currently undertaking negotiations dealing with the pay review and backdated pay claims. Additional administration costs will be incurred within the corporate Human Resources Section that will be funded from this provision.

### **Community Fund Transfer and WPH Set Up Costs**

The HRA was formally closed as at 27 March 2007. In accordance with proper accounting practice the balances remaining after the provision for any outstanding liabilities on both the HRA and the Major Repairs Reserve were transferred into the authority General Fund. Under the terms of the stock transfer agreement these balance will be used to pay off the loan for set up costs of WPH with the remainder being transferred into a Community Fund. The balance in the Community Fund will be used by the Authority and its partners to finance housing improvement and regeneration schemes on the Wirral

### **Self Insurance – Wirral Council**

The authority self-insures fire damage to its buildings and contents (up to a maximum of £1m in any one year). It also self-insures the first £100,000 of each motor accident (up to a maximum of £250,000 in any one year) and the first £250,000 of each legal liability claim (up to a maximum of £4.250m for all claims in any one year).

As at 31 March 2008 the authority held the following provisions and reserves in respect of its liability for these self-insured risks.

	<b>£000</b>
Fire	2,334
Motor	253
Liability	12,246

### 38. DEFERRED CREDITS

These are amounts derived from the sale of former council housing by Wirral Partnership Homes and Beechwood and Ballantyne Community Housing Association. The Council was due £1.1m at 31 March 2008 (£1.84m at March 2007). The remainder represents mortgage repayments on Right to Buy mortgages.

### 39. RESERVES

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

<b>Reserve:</b>	<b>Balance 1.4.2007 £000</b>	<b>Movement In Year £000</b>	<b>Balance 31.3.2008 £000</b>
Revaluation Reserve	0	134,855	134,855
Capital Adjustment Account	185,998	(37,988)	148,010
Available-For-Sale financial instruments	0	790	790
Financial Instruments Adjustment Account	0	(3,511)	(3,511)
Usable Capital Receipts	10,977	(442)	10,535
Pensions Reserve	(222,368)	(119,388)	(341,756)
General Fund	11,480	(365)	11,115
Collection Fund	(509)	(711)	(1,220)
Other Reserves	<u>53,790</u>	<u>12,963</u>	<u>66,753</u>
	<b>39,368</b>	<b>(13,797)</b>	<b>25,571</b>

#### Revaluation Reserve

This is a new account created on 1 April 2007. It is utilised for the following:

Revaluation gains – any increase in the value of an asset from 1 April 2007 are credited.

Impairment – where there is an impairment loss charged to the Income and Expenditure Account and there are revaluation gains in the Revaluation Reserve for that asset then an amount up to the value of the loss is transferred to the Capital Adjustment Account. As there were no revaluation gains in the reserve prior to 31 March 2007 this does not apply in 2007-08.

Disposals – any revaluation gains in the Revaluation Reserve for assets disposed of are transferred to the Capital Adjustment Account. As there were no revaluation gains in the reserve prior to 31 March 2007 this does not apply in 2007-08.

Depreciation – revaluation gains are depreciated with an amount equal to the difference between the current value depreciation and the depreciation that would have been charged on their historic cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account

	<b>£000</b>
<b>Balance at 01/04/2007</b>	0
Revaluations during the year	96,933
Depreciation adjustments for disposal and revaluations	<u>37,922</u>
<b>Balance at 31/03/2008</b>	<b>134,855</b>



**Capital Adjustment Account:**

Store of capital resources set aside to meet past expenditure.

	<b>£000</b>
<b>Balance at 01/04/2007</b>	<b>185,998</b>
Capital receipts used to fund capital expenditure	5,000
Reserves used to fund capital expenditure	688
Minimum Revenue Provision	6,929
Depreciation and impairment	(46,860)
Government grants deferred	2,197
Deferred charges:-	
Equal pay back pay	(7,485)
Capital expenditure	(2,786)
PFI unitary payment abatement	(1,812)
Asset revaluations	6,432
Asset disposals	(785)
MRDF debt repayment	<u>494</u>
<b>Balance at 31/03/2008</b>	<b>148,010</b>

**Available For Sale Financial Instruments Reserve**

Store of gains on the revaluation of investments not yet realised through sales

	<b>£000</b>
<b>Balance at 01/04/2007</b>	<b>0</b>
Gains on revaluation	<u>790</u>
<b>Balance at 31/03/2008</b>	<b>790</b>

**Financial Instruments Adjustment Account**

Balancing account to allow for differences in statutory requirements and proper accounting practice for borrowings and investments

	<b>£000</b>
<b>Balance at 01/04/2007</b>	<b>0</b>
Amount that should have been charged to the Income and Expenditure Account without statutory override	<u>(3,511)</u>
<b>Balance at 31/03/2008</b>	<b>(3,511)</b>

**Usable Capital Receipts**

Proceeds of fixed asset sales available to meet future capital investment:.

	<b>£000</b>
<b>Balance at 01/04/2007</b>	<b>10,977</b>
Receipts from the sale of assets	4,558
Receipts used to fund capital expenditure	<u>(5,000)</u>
<b>Balance at 31/03/2008</b>	<b>10,535</b>

**Pensions Reserve**

This allows the inclusion of Pensions Liability in the Balance Sheet. See Note 44.

**General Fund:**

Resources available to meet future running costs for non-housing services.

Refer to Statement of Movement on the General Fund Balance.

**Collection Fund:**

The surplus or deficit in respect of the collection of council tax, which is then distributed amongst the council and precepting bodies. Refer to Collection Fund statements.

## Other Reserves

	<b>Balance 1.4.2007 £000</b>	<b>Contri- butions £000</b>	<b>Write Offs or Applied £000</b>	<b>Balance 31.3.2008 £000</b>
Insurance Fund	12,369	2,344	-	14,713
Schools Balances	9,807	2,188	-	11,995
Housing Benefit	9,870	945	-	10,815
Debt Restructuring & Financing	3,473	2,919	(154)	6,238
Local Pay Review	-	3,335	-	3,335
PFI Revenue	4,705	-	(1,993)	2,712
Supporting People Programme	2,342	64	(14)	2,392
Capital Schemes	395	1,540	366	2,301
Minimum Revenue Provision	-	2,000	-	2,000
IT/Intranet	1,800	-	(117)	1,683
Former HRA Contingency	1,500	-	(308)	1,192
Schools Contingency	561	-	(83)	478
Equal Pay Arrears (Schools)	-	363	-	363
Matching Fund	339	-	-	339
One Stop Shop IT Network	292	41	-	333
Tourism	328	-	-	328
Sports Centre Contingency	300	-	-	300
Dedicated Schools Grant	527	317	(572)	272
Empty Property Strategy	209	62	-	271
Home Adaptations	207	40	(14)	233
Investment Strategy	409	-	(180)	229
Heritage Fund	101	105	-	206
Contact Point	-	200	-	200
Wirral & N Wales Purchasing Org	600	-	(589)	11
Other	<u>3,656</u>	<u>1,043</u>	<u>(885)</u>	<u>3,814</u>
	<b>53,790</b>	<b>17,506</b>	<b>(4,543)</b>	<b>66,753</b>

The major reserves are maintained for the following purposes:-

### 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 calculating the provision is claims not yet reported but anticipated.

### Schools Balances

The LMS Reserves are earmarked for use purely by the schools. The balance consists of: -

	<b>£000</b>
Schools Under spending	12,361
Schools Overspending	<u>(366)</u>
	<b>11,995</b>

### 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 the Integrated Housing Benefits and Council Tax IT system that was implemented during 2007.

### **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.

### **Local Pay Review**

The amount identified, and set-aside, to fund the costs of implementing the Council's proposals to harmonise and simplify working arrangements as well as meeting the requirements arising from the implementation of equal pay legislation. This has been separately identified between a provision, which relates to the anticipated costs for the implementation of Phase 1, and a reserve for the implementation of subsequent phases.

### **Private Finance Initiative (PFI) Revenue**

A Government Grant supports the PFI Scheme and the Council has agreed that the surplus grant received in the early years should be carried forward to offset PFI costs in future years.

### **Supporting People Programme**

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

### **Capital Schemes**

The majority of the reserve is for capital schemes within schools.

### **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.

### **IT Reserve**

To expand and develop the corporate ICT services.

### **Former HRA Contingency**

There are a number of outstanding liabilities that may arise in later years relating to the former Housing Revenue Account. These include outstanding contract retentions, rechargeable jobs and potential insurance claims. The reserve also provides for any other unforeseen liabilities relating to the HRA that may arise in the future.

### **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.

### **Equal Pay Arrears (Schools)**

The implementation of job evaluation and equal pay means that the pay of schools kitchen staff increases due to be paid during 2008/09 will be back-dated to 1 April 2007.

The cost of the back-dated increase has been charged to the school meals trading account for 2007/08 and established to fund the costs falling in 2008/09.

### **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 Authority.

### **One Stop Shop IT Network**

To develop the Information Technology systems within the One Stop Shops.

### **Tourism**

To support the project funded from European grants 'Marketing Wirral for Tourism'.

### **Sports Centres**

To assist in developing the programme for youth participation in sporting activities.

### **Dedicated Schools Grant**

The additional Dedicated Schools Grant that was received for children, schools and families less the 2007/08 overspend on the schools budget. This will be included in the 2009/10 formula distribution to schools.

### **Empty Property Strategy**

To partly fund the pilot scheme to redevelop empty properties and convert into habitable accommodation.

### **Home Adaptations**

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

### **Investment Strategy**

To fund initial consultancy studies required as part of the overall Investment Strategy.

### **Heritage Fund**

To provide funding for individuals, associations and communities to enhance the recording, preservation and protection of Wirral's urban, maritime and rural heritage.

### **Contact Point**

The reserve is the carrying forward of part of the Standards Fund grant 2007/08 to fund the 2008/09 Contact Point programme.

### **Wirral and North Wales Purchasing Organisation**

The purchasing consortium has been dissolved and the Council's share of the final settlement of all outstanding liabilities was paid in 2007-08.

#### 40. BALANCES

An analysis of the consolidated balances is provided below:

	<b>2006-07</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
General Fund	11,480	11,115
Collection Fund - Wirral Council	<u>(509)</u>	<u>(1,220)</u>
	<b>10,971</b>	<b>9,895</b>

#### 41. INSURANCE FUND

<b>2006-07</b>			<b>2007-08</b>	
<b>£000</b>			<b>£000</b>	<b>£000</b>
17,413	Opening Balance			18,283
5,490	Add: Premium received - current	5,284		
272	Investment Income	<u>310</u>		
				5,594
2,892	Less: Claims paid	3,168		
<u>2,000</u>	Transfer to Revenue	<u>1,400</u>		
				<u>4,568</u>
<b>18,283</b>	Closing Balance			<b>19,309</b>

The closing balance consists of: -

<b>2006-07</b>		<b>2007-08</b>
<b>£000</b>		<b>£000</b>
5,914	Provisions	4,596
<u>12,369</u>	Reserves	<u>14,713</u>
<b>18,283</b>		<b>19,309</b>
<u>-</u>	Available for sale reserve	<u>790</u>
<b>18,283</b>	<b>Total Equity</b>	<b>20,099</b>

The Insurance Fund has been partially externally invested. At 31 March 2008 the market value of the investments was £1,609,449 this being £790,217 more than cost. No provision has been made for any consequent loss on these investments.

The purpose of the Insurance Fund is to assist the Council in its aim of achieving the widest protection at the lowest possible cost.

The Fund is used to cover those levels of losses that the Council can expect to experience in any financial year. It is also used to provide protection against risks that the Insurance market is unwilling or unable to underwrite.

Small surpluses on the Fund maybe used in paying for approved Risk Management projects.

The Insurance Fund investment portfolio, consisting of gilts and equity shares, is classed an available for sale financial asset. Consequently, they need to be carried at fair value. The available for sale reserve represents the difference between this valuation and original book value.

## 42. COLLECTION FUND

The balance is that in respect of Council Tax and is shared in proportion to the precepts on the Collection Fund. The deficit will increase the Council Tax required to finance expenditure. In the Balance Sheet Police and Fire are classed as debtors.

Payable from	£000
Wirral Council	1,220

## 43. TRUST FUNDS

The Council acts as 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 trusts and their purposes are summarised below.

	<b>Balance 1.4.2007</b>	<b>Income</b>	<b>Outlay</b>	<b>Balance 31.3.2008</b>
	£	£	£	£
<b>Children and Young People</b>				
EF Callister to promote youth development	372,822	-	-	372,822
Stitt Scholarship for educational achievement	35,055	655	-	35,710
RJ Russell Prize for educational achievement	81,456	1,650	-	83,106
Criminal injuries transferred from Social Services	65,352	159	(9,793)	55,718
Other funds	<u>83,182</u>	<u>7,231</u>	<u>(1,876)</u>	<u>88,537</u>
	<b>637,867</b>	<b>9,695</b>	<b>(11,669)</b>	<b>635,893</b>

The fund assets are as follows:-

	<b>Balance 1.4.2007</b>	<b>Balance 31.3.2008</b>
	£	£
Property	372,822	372,822
Investments:-		
CLIA	256,872	248,360
Equities	6,922	6,922
Cash	<u>1,251</u>	<u>7,789</u>
	<b>637,867</b>	<b>635,893</b>

## **44. PENSIONS**

### **Teachers:**

In 2007-08 the Council paid £14.9m to the Teachers Pensions Agency in respect of teachers' pension costs, based on a contribution rate of 14.1%.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2007-08 these amounted to £0.1m representing 0.1% of pensionable pay.

### **Other employees:**

For other employees the Council operates a defined benefit scheme, which is funded by a dedicated portfolio of assets to fund any liabilities of the scheme.

In 2007-08 the Council paid an employer's contribution of £21.5m into the Pension Fund representing a contribution rate of 16.5% of pensionable pay.

The latest actuarial report (31 March 2007) has indicated that the liabilities of the fund exceed the assets at that date by £1,063.0m, giving a funding level of 80%. The recommended employer contribution rates for 2008-09 is 16.9%

This will correct any imbalance between the assets of the Fund and the funding target.

In addition the Council is responsible for all pension payments relating to added years benefits it has awarded together with the related increases. In 2007-08 these amounted to £3.6m representing 1.6% of pensionable pay.

As part of the terms and conditions of employment of its employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The cost of retirement benefits in the Net Cost of Services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real costs of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account, and Statement of Movement in the General Fund Balance during the year.

<b>Income and Expenditure Account</b>	<b>2006-07</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Net Cost of Services:		
·Current service cost	23,611	21,037
·Past service costs	446	6,995
·Curtailment costs	2,234	984
Net Operating Expenditure:		
·Interest cost	39,076	43,295
·Expected return on assets in the scheme	<u>(32,561)</u>	<u>(37,792)</u>
Net Charge to the Income and Expenditure Account:	32,806	34,519
 Statement of Movement in the General Fund Balance:		
·Reversal of net charges made for retirement benefits in accordance with FRS17	(32,806)	(34,519)
 Amount charged against the General Fund Balance for pensions in the year:		
·Employers' contributions payable to scheme	25,277	27,423

### **Merseyside Pension Fund**

Formal actuarial valuations are carried out every three years to ensure that employers' contribution rates are set at a level that will enable the fund to meet its future liabilities as they arise. The last such valuation took place on 31 March 2007 and the results showed that the fund's assets at the valuation date were sufficient to cover 80% of its liabilities. The valuation method used was the Projected Unit Method and the principal assumptions used for the actuarial valuation were as follows: -

1. Annualised yield on fixed interest long-term gilts 1.8% - 4.6%.
2. Assumed rate of future increase in pensionable pay 4.05%.
3. Assumed rate of future pension increase 2.8%.

At 31 March 2008 net assets of the fund amounted to £4,254m.

The employer contribution rates then confirmed is designed to return funding levels to 100% of total liabilities. The rates are determined having regard to the individual circumstances of each employer.

Further information can be found in the Merseyside Pension Fund's Annual Report, which may be obtained, from PO Box 120, Castle Chambers, 43 Castle Street, Liverpool, L69 2NW. Telephone 0151-236-4208.

### **Asset and Liabilities in Relation to Retirement Benefits**

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme for civilian employees, administered by Wirral Borough Council – this is a funded scheme,



meaning that the authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets. This is a defined benefit scheme. Fund contribution rates are based on triennial valuations, the latest being 31 March 2007.

All authorities have had to fully adopt the accounting policies contained with Financial Reporting Standard 17 "Retirement Benefits". The principle behind FRS 17 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.

The previous accounting policies were to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payment fell due to the pensioners for which we were directly responsible. The new policies adopted with effect from April 2003 better reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the Pension Fund.

	<b>Estimated Liabilities £000</b>	<b>Estimated Assets £000</b>	<b>Net Asset / (Liability) £000</b>
<b>Local Government Pension Scheme</b>			
31/03/2007	(769,216)	579,891	(189,325)
31/03/2008	(880,347)	574,845	(305,502)
<b>Teachers Pension Scheme</b>			
31/03/2007	(33,043)	-	(33,043)
31/03/2008	(36,254)	-	(36,254)
<b>Totals</b>			
31/03/2007	(802,259)	579,891	(222,368)
31/03/2008	(916,601)	574,845	(341,756)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £342m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet resulting in an overall balance of £24.7m.

The estimated pension assets, prepared under FRS17 guidelines, shown above, were based on 9 months actual performance of the pension Fund, plus an estimate for the final quarter, representing a combined performance of -3.0%. Final calculations indicated that the actual performance was -1.3%, less an allowance of 0.2% for administration expenses. Pension assets as at 31 March 2008 were therefore understated by some 1.5%. However, as stock markets generally have deteriorated since 31 March 2008, a re-calculation of the asset value has not been considered appropriate.

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. William M. Mercer, an independent firm of actuaries, has assessed the assets and liabilities. The main assumptions used in their calculations are:

<b>Financial Assumptions</b>	<b>31/03/2007</b>	<b>31/03/2008</b>
Rate of inflation	3.10%	3.60%
Rate of increase in salaries	4.35%	4.85%
Rate of increase in Pensions	3.10%	3.60%
Rate for discounting scheme liabilities	5.40%	6.10%

### Demographic Assumptions

Commutation One half of members take maximum lump sum, others take 3/80ths

<b>Expected Rate of Return on Assets</b>	<b>31/03/2007</b>	<b>31/03/2008</b>
Equities	7.50%	7.50%
Government Bonds	4.70%	4.60%
Other Bonds	5.40%	6.10%
Property	6.50%	6.50%
Cash/liquidity	5.25%	5.25%
Other	7.50%	7.50%

Assets are valued at fair price, principally market value for investments, and consist of the following categories, by proportion:

	<b>31/03/2007</b>	<b>31/03/2008</b>
Equity Investments	58.30%	57.50%
Government Bonds	16.80%	16.10%
Other Bonds	5.90%	5.90%
Property	9.80%	8.70%
Cash/liquidity	5.40%	4.50%
Other	3.80%	7.30%

## Pensions – Disclosure Items 31 March 2008

### Movement in Deficit during 2007-08

	<b>£000</b>
<b>Deficit at 01/04/07</b>	<b>(222,368)</b>
Current Service Costs	(21,037)
Employer Contributions	27,423
Past Service Cost/Curtailment Cost	(7,979)
Net Interest/Return on Assets	(5,503)
Actuarial Gain or (Loss)	<u>(112,292)</u>
<b>Deficit at 31/03/08</b>	<b>(341,756)</b>

The above excludes any change in liability relating to teachers retirement costs.

## Additional Disclosure Items

	<b>Assets at 31/03/2007 £000</b>	<b>Assets at 31/03/2008 £000</b>
Equities	338,076	330,535
Government Bonds	97,422	92,550
Other Bonds	34,214	33,916
Property	56,829	50,012
Cash/liquidity	31,314	25,868
Other	<u>22,036</u>	<u>41,964</u>
	<b>579,891</b>	<b>574,845</b>

## Actuarial Gains and Losses

The actuarial gains or loss identified as movement on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March.

		Difference between expected and actual return in assets	Experience gains and losses arising on the scheme's liabilities	Effect of changes in demographic and financial assumptions underlying the present value of the scheme's liabilities	Total
2003-04	£000	49,305	-	-	49,305
	%	11.6	-	-	-
2004-05	£000	23,533	(14,949)	(109,716)	(101,132)
	%	5.3	2.2	15.8	-
2005-06	£000	71,728	(14,953)	(59,556)	(2,781)
	%	13.2	2.0	7.5	-
2006-07	£000	(175)	-	38,430	38,255
	%	0	-	4.8	-
2007-08	£000	(56,459)	(22,040)	(33,793)	(112,292)
	%	0	0	4.8	-

## Pension Reserve

Any difference in pension payments made in accordance with scheme requirements and the change in the Authority's assets and liabilities is represented by an appropriation to the pension reserve.

The above figures have been provided by the actuaries to the Merseyside Pension Fund using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary. Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of the actuarial valuation may be affected by uncertainties within a range of possible values.

## Possible Post Balance Sheet Event

The net liability includes an estimate of the effect of teacher's retirement costs and may change after actuarial valuation. The liability represents the difference between the value of the fund assets at 31 March 2008 and the estimated present value of the future pension payments to which we are committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1 April 2008 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities will be considered by the actuaries in their next full actuarial review on the Pension Fund, due to be carried out as at 31 March 2010. Their advice on whether or not there is any anticipated shortfall in the funding of the scheme at that time will determine the future level of pension contributions.

#### **45. THE EURO – Economic Monetary Union**

At 31 March 2008 the Authority has not entered into any financial commitments that are attributable to the Euro. The Authority will produce a changeover plan once the requirements and formats have been agreed nationally. Funding is included in the Information Strategy reserve, however the precise requirement has yet to be determined.

#### **46. EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts was authorised for issue by the Director of Finance on 25 June 2008. Accordingly, this represents the date up to which events after the Balance Sheet date have been considered.

#### **47. CONTINGENT ASSETS AND LIABILITIES**

##### **Connexions Partnership**

The Council along with other Councils on Merseyside have agreed to commission Greater Merseyside Connexions Partnership for the delivery of information services to young people in the period 2008-2011. The Council have agreed to provide a financial guarantee for the potential unfunded liabilities of the Pension Fund. The Greater Merseyside Connexions Partnership is an admitted body of the Merseyside Pension Fund whose actuary has calculated Wirral's share of the guarantee as £1.38m (apportioned on population across Merseyside).

##### **Environmental Warranty**

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.

##### **Wirral Partnership Homes**

The Council is currently in negotiations with Wirral Partnership Homes to alter the arrangements currently in place to administer the Community Fund. The 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 would be in line with the agreed purposes of improving the economic, environmental and social wellbeing of Wirral's residents.

##### **Local Pay Review**

As a consequence of the National Joint Council (NJC) for Local Government Services pay award the Council is currently under taking and implementing a Local Pay Review. This is on-going and is to be backdated to 1 April 2007. The review is addressing any equality issue in relation to equal pay for work of equal value. The outcome will result in an increase in the authority's expenditure on pay. The final amount is not yet known but

is anticipated to be significant. To meet these costs the 2007-08 accounts included a provision for costs associated with phase 1. A sum of £3.335m has been set aside as a contribution towards these additional costs.

### **Equal Pay Review**

In 2007-08 the Council undertook a negotiated settlement of its equal pay obligations. The payment of back pay for certain employees relating to past years service has taken place. A small number of cases remain to be settled and to date the Council has received a small number of claims. The Council is unable at this stage to measure the degree of likelihood of any further potential liabilities or amounts that may be required to settle obligations.

### **New Brighton Neptune Development**

The New Brighton Neptune development, Phase 1, commenced in 2007-08. A potential liability exists if the development does not proceed as planned as a consequence of funders with drawing their financial support. There would a financial consequence to the Council if Phase 1 is not completed and phase 2 does not proceed. This is anticipated to be in the region of £4.3m. This would be funded from the Council's own resources.

## **48. RECONCILIATION OF SURPLUS/DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT TO NET CASH FLOW**

	<b>£000</b>	<b>£000</b>
Decrease for the year		(1,076)
<b>Non cash transactions</b>		
Contribution to Reserves	12,963	
Principal	6,929	
Other debt related	1,204	
Contribution from Provisions	(6,257)	
Deferred Credits	<u>(785)</u>	
		14,054
<b>ITEMS ON AN ACCRUAL BASIS</b>		
Increase in Stocks	(29)	
Decrease in Debtors	3,869	
Increase in Creditors	<u>928</u>	
		4,768
<b>ITEMS CLASSIFIED IN ANOTHER CLASSIFICATION IN THE CASHFLOW STATEMENT</b>		
Interest Paid		20,428
Interest Received		<u>(10,402)</u>
<b>Net Cash Flow from Revenue Activities</b>		<b>27,772</b>

#### 49. RECONCILIATION OF THE MOVEMENT IN CASH TO MOVEMENT IN NET DEBT

	<b>Balance 1.4.2007 £000</b>	<b>Cash Flow £000</b>	<b>Non-cash Flow £000</b>	<b>Balance 31.3.2008 £000</b>
Cash in hand	8,330	(2,670)	-	5,660
Short term loans	(13,059)	9,529	185	(3,345)
Long-term borrowing	(269,725)	(17,025)	2,878	(283,872)
Short-term investments	<u>65,500</u>	<u>11,686</u>	<u>-</u>	<u>77,186</u>
	<b>(208,954)</b>	<b>1,520</b>	<b>3,063</b>	<b>(204,371)</b>

The Accounting Standard FRS1 defines net borrowing as borrowing less liquid resources. This definition excludes debtors and creditors because, while these are short-term claims on and sources of finance to the Council, their main role is as part of the Council's operating activities.

#### 50. LIQUID RESOURCES

These are current asset investments, which are of a short-term nature and can be disposed of at reasonably short notice without curtailing or disrupting the Council's activities. The investments are readily convertible into known amounts of cash at or close to its carrying amount, or traded in an active market. The amounts shown within the financing and management of liquid resources section of the cash flow statement is the difference between the opening and closing balances for short investments.

#### 51. ANALYSIS OF GRANTS

<b>Capital Grants</b>	<b>2007-08 £000</b>
Standards Fund	12,248
Regeneration	9,736
Housing renewal	9,362
Childrens Centres	3,835
Floral Pavilion	3,220
Transport	3,067
Local Public Service Agreement	1,596
NOF	1,387
Birkenhead Park	1,027
Adult Social Services - Dignity in Care	890
Adult Social Services information technology	182
Other	<u>328</u>
	<b>46,878</b>

<b>Revenue Grants</b>	<b>2007-08 £000</b>
Dedicated Schools	179,610
Housing Benefit	114,141
Standards Fund	34,020
Learning and skills	21,731
Merseyside Connexions	18,327
Supporting people	10,769
Neighbourhood Renewal Fund	9,371
Childrens Centres	5,622
Private Finance Initiative	5,471
Housing Benefit Administration	4,027
Access and systems capacity	3,997
St Mary's College	3,303
Preserved Rights	2,883
Housing redevelopment	2,112
Mental health grant	1,937
Regeneration	1,774
Carers grant	1,566
Early years	1,460
Neighbourhood developments grants	1,307
Quality protects	1,144
Training support	1,049
Delayed discharge	732
Family development	617
Youth Service	375
Social Care preventative technology grant	368
Business rates	351
Local Public Service Agreement	331
Youth Offending Service	330
Development of training in education	317
Special Education projects	273
Local Authority Business Growth Incentive	231
Teenage pregnancy	191
Other	<u>2,560</u>
	<b>432,297</b>

## **52. RECONCILIATION OF FINANCING AND MANAGEMENT OF LIQUID RESOURCES**

	<b>Short-term Investments £000</b>	<b>Long-term Borrowing £000</b>	<b>Short-term Loans £000</b>
Balance at 1 April 2007	65,500	(269,725)	(13,059)
Cash-flow items:			
Loans raised	-	(23,000)	(39,000)
Loans repaid	-	5,975	48,529
Investments made	11,686	-	-
Non cash item	<u>-</u>	<u>2,878</u>	<u>185</u>
<b>Balance at 31 March 2008</b>	<b>77,186</b>	<b>(283,872)</b>	<b>(3,345)</b>



### **53. NON CASH TRANSACTIONS/FURTHER ANALYSIS TO HELP INTERPRETATION**

With reference to Notes 49 and 52 the non cash transaction relates to a combination of:-

- The adjustment required to reclassify any long term loans due to be repaid during the next financial year as short term debt.
- The reclassification of deferred revenue expenditure which for 2007-08 is now included in long term borrowing.

## ADDITIONAL FINANCIAL STATEMENTS

### COLLECTION FUND

#### INCOME AND EXPENDITURE ACCOUNT

2006-07 £000		2007-08 £000	£000
	<b>Income</b>		
108,680	Council Tax (Note 2)	113,437	
	Transfers from General Fund:		
23,872	Council Tax Benefits	25,308	
-	Pensioner Discounts	69	
	Income Collectable from		
<u>54,843</u>	Business Rate Payers (Note 3)	<u>55,552</u>	
187,395			194,366
	<b>Expenditure</b>		
133,764	Precepts from District, Police and Fire (Note 4)	138,654	
	Business Rate		
54,483	- Payment to National Pool	55,201	
360	- Costs of Collection	351	
	Bad and Doubtful Debts		
(104)	- Provisions	488	
	Contribution to Preceptors from previous year's		
<u>1,700</u>	Estimated Council Tax Surplus (Note 5)	<u>500</u>	
190,203			195,194
<u>(2,808)</u>	<b>Movement on Fund balance</b>		<u>(828)</u>

#### COLLECTION FUND BALANCE

2006-07 £000		2007-08 £000	£000
2,217	Fund Balance b/f 1 April		(591)
<u>(2,808)</u>	Movement in the year		<u>(828)</u>
(591)	<b>Fund balance c/f 31 March</b>		<b>(1,419)</b>

## 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 Authority set a Council Tax in 2007-08 for each band of dwelling as shown below:

Band	£	Band	£	Band	£	Band	£
A	886.63	C	1,182.17	E	1,625.48	G	2,216.57
B	1,034.40	D	1,329.94	F	1,921.03	H	2,659.88

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	58,022	10,239.75	47,782.25	6/9	31,854.80
B	29,983	3,714.50	26,268.50	7/9	20,431.10
C	27,059	2,705.75	24,353.25	8/9	21,647.30
D	12,895	1,119.00	11,776.00	1	11,776.00
E	8,055	640.75	7,414.25	11/9	9,061.90
F	4,316	311.00	4,005.00	13/9	5,785.00
G	3,118	226.50	2,891.50	15/9	4,819.20
H	<u>254</u>	<u>48.50</u>	<u>205.50</u>	18/9	<u>411.00</u>
	143,702	19,005.75	124,696.25		105,786.30
Add Government Dwellings					4.00
Add Band A Disabled Relief Band D Equivalent					<u>53.60</u>
<b>Total</b>					<b>105,843.90</b>

After a 1.5% provision for uncollectables, the overall tax base for the Authority totalled 104,256.

The amounts credited to the Collection Fund for Council Tax are as follows: -

	<b>2006-07</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Cash Payable	108,680	113,437
Council Tax Benefit	23,872	25,308
Pensioner Discounts	<u>-</u>	<u>69</u>
	<b>132,552</b>	<b>138,814</b>

### **3. INCOME FROM BUSINESS RATEPAYERS**

The Authority collects Non-Domestic rates for its area. This is based on local estimated rateable values of £156,102,380 multiplied by a uniform rate of £0.444p in 2007-08 to produce the opening debit of £69.3 million. The total amount less certain relief and costs of collection is paid to a central pool managed by the Central Government. The result of these adjustments was a payment of £55.2 million to the central pool. 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 Authority's General Fund. The total rateable value of all hereditaments within the Authority area at 31 March 2008 was £156,791,226.

### **4. PRECEPTS**

The Collection Fund paid the following precepts during the year: -

	<b>2006-07</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Wirral Council	115,188	119,338
Merseyside Fire and Civil Defence Authority	5,849	6,020
Merseyside Police Authority	<u>12,727</u>	<u>13,296</u>
	<b>133,764</b>	<b>138,654</b>

### **5. CONTRIBUTION FROM/TO COLLECTION FUND**

A year-end surplus/deficit on the Council Tax element of the Collection Fund is only distributed/recovered between the billing and precepting authorities where an estimated surplus/deficit has already been notified to those authorities. For 2006-07 the surplus notified to the precepting authorities in respect of 2006-07 and distributed in 2007-08 was: -

	<b>2007-08</b>
	<b>£000</b>
Wirral Council	430
Merseyside Fire and Civil Defence Authority	22
Merseyside Police Authority	<u>48</u>
	<b>500</b>

## 6. BALANCES

The balance is in respect of Council Tax and is shared in proportion to the precepts on the Collection Fund. The deficit allocated on the basis of the 2008-09 precept votes is as below. In the Balance Sheet Police and Fire are classed as debtors.

Payable from:

	<b>£000</b>
Wirral Council	1,220
Merseyside Fire and Civil Defence Authority	62
Merseyside Police Authority	<u>137</u>
	<b>1,419</b>

## MERSEYSIDE PENSION FUND ACCOUNTS

### FINANCIAL STATEMENTS

#### FUND ACCOUNT

For the year ended 31 March 2008	Note	2007 £000	2008 £000
<b>Contributions and Benefits:</b>			
Contributions receivable	3	200,837	216,773
Transfers in		<u>16,353</u>	<u>21,168</u>
		<b>217,190</b>	<b>237,941</b>
Benefits payable	4	185,051	195,130
Leavers	5	11,754	13,764
Administration expenses		<u>3,740</u>	<u>3,348</u>
		<b>200,545</b>	<b>212,242</b>
<b>Net additions from dealings with members</b>		<b>16,645</b>	<b>25,699</b>
<b>Return on Investments:</b>			
Investment Income	6	61,718	71,505
Change in market value of investments	7	187,559	(137,458)
Exchange		(1,874)	(430)
Investment management expenses	8	<u>(4,604)</u>	<u>(4,961)</u>
<b>Net return on Investments</b>		<b>242,799</b>	<b>(71,344)</b>
Net increase/(decrease) in the Fund during the year		259,444	(45,645)
Net Assets of the Fund start of the year		<u>4,041,533</u>	<u>4,300,977</u>
<b>Net Assets of the Fund end of the year</b>		<b>4,300,977</b>	<b>4,255,332</b>

NET ASSETS STATEMENT AS AT 31 MARCH	Note	2007 £000	2008 £000
<b>Investments</b>	<b>7</b>		
Fixed Interest Securities		-	-
Index - linked Securities		-	-
Other Investments		137,150	216,073
Equities		1,077,743	1,124,734
Managed or Unitised Funds		2,589,491	2,434,630
Properties		355,475	295,350
Short Term deposits		<u>116,573</u>	<u>100,778</u>
		<b>4,276,432</b>	<b>4,171,565</b>
<b>Other Assets and Liabilities</b>	<b>9</b>	<b>24,545</b>	<b>83,767</b>
<b>Net Assets of the Fund at 31 March 2008</b>		<b>4,300,977</b>	<b>4,255,332</b>

## **NOTES TO THE PENSION FUND ACCOUNTS**

### **1. GENERAL**

Although the Scheme is exempt from the requirements of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, the financial statements have been prepared in accordance with these regulations and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (the SORP) November 2002.

The financial statements record the transactions of the Scheme during the year and summarise the net assets at the disposal of the Managers at the end of the financial year. They do not take account of obligations to pay pensions and benefits, which fall due after the end of Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the statement by the Actuary and these financial statements should be read in conjunction with it.

### **2. ACCOUNTING POLICIES**

#### **Basis of Preparation**

The financial statements are prepared in accordance with applicable UK accounting standards and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes.

#### **Valuation of Investments**

Investments are stated at market value. For this purpose unlisted investments are included at manager's valuation and properties at professional valuation. For listed securities the stock exchange values are used. Properties have been valued independently by Colliers Erdman Lewis, Chartered Surveyors as at 31 March 2008.

#### **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.

#### **Investment Income**

Interest on fixed interest stocks and on short-term deposits has been accounted for on an accruals basis. Income from equities is accounted for when the related investment is quoted "ex-dividend".

#### **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.

#### **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.

### Transfers to 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.

### Investment Management Expenses

In accordance with the SORP, costs in respect of the internal investment team are classified as investment management expenses rather than as administrative expenses.

## 3. CONTRIBUTIONS RECEIVABLE

	<b>2007</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
<b>Employers</b>		
Normal	137,630	152,576
Early retirement funding	12,745	12,463
<b>Employees</b>		
Normal	<u>50,462</u>	<u>51,734</u>
	<b>200,837</b>	<b>216,773</b>
Relating to:		
Administering Authority	28,664	32,018
Statutory Bodies	149,223	158,507
Admission Bodies	<u>22,950</u>	<u>26,248</u>
	<b>200,837</b>	<b>216,773</b>

## 4. BENEFITS PAYABLE

	<b>2007</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Pensions	157,286	164,286
Lump sum retiring allowances	25,388	28,885
Lump sum death benefits	<u>2,377</u>	<u>1,959</u>
	<b>185,051</b>	<b>195,130</b>
Relating to:		
Administering Authority	26,715	28,008
Statutory Bodies	140,205	145,569
Admission Bodies	<u>18,131</u>	<u>21,553</u>
	<b>185,051</b>	<b>195,130</b>

## 5. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	<b>2007</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Refunds to members leaving service	62	39
Payment for members joining state scheme	(23)	(9)
Individual transfers to other schemes	<u>11,715</u>	<u>13,734</u>
	<b>11,754</b>	<b>13,764</b>



## 6. INVESTMENT INCOME

	<b>2007</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Fixed interest securities	23	515
Dividends from equities, managed and unitised funds	38,453	44,789
Net rents from properties	17,261	18,337
Interest on deposits	5,799	7,432
Other	<u>182</u>	<u>432</u>
	<b>61,718</b>	<b>71,505</b>

After 1 June 2006 all of the Fund's holdings of bonds were in unitised vehicles.

As at 31 March 2008, £171.7million of stock was on loan to market makers, which was covered by non-cash collateral totalling £180.8 million. Income from stock lending is included within "Other".

The figure of "Dividends from equities, managed and unitised funds" includes recoverable taxation of £0.179m, plus income from profits from associate and joint ventures of £6.114m. Irrecoverable taxation amounted to £16.2 million (2006-07 £15.1m).

## 7. INVESTMENTS

	<b>Market Value</b>	<b>Purchases at cost</b>	<b>Sale Proceeds</b>	<b>Change in Market* value</b>	<b>Market Value</b>
	<b>31.3.2007</b>			<b>£000</b>	<b>31.3.2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Equities	1,077,743	737,784	637,755	(53,038)	1,124,734
Managed & Unitised Funds	2,589,491	1,370,475	1,500,895	(24,441)	2,434,630
Other	137,150	86,387	7,616	152	216,073
Properties	355,475	6	-	(60,131)	295,350
Short term deposits	<u>116,573</u>	<u>-</u>	<u>15,795</u>	<u>-</u>	<u>100,778</u>
	<b>4,276,432</b>	<b>2,194,652</b>	<b>2,162,061</b>	<b>(137,458)</b>	<b>4,171,565</b>

\* Note: The change in market value of investments during the year comprises all realised and unrealised appreciation and depreciation. The high volume of sales and purchases reflects changes of external managers during the year.

	<b>2007</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
<b>Equities (Segregated Holdings)</b>		
UK Quoted	461,412	424,028
Overseas Quoted	<u>616,331</u>	<u>700,706</u>
	<b>1,077,743</b>	<b>1,124,734</b>

**Managed\* and Unitised Funds**

UK Fixed interest	188,228	276,419
UK Corporate Bonds	296,927	244,601
Overseas Fixed Interest	27,043	-
Index-Linked Securities	450,516	522,052
UK Equities	938,721	755,235
Overseas Equities	533,038	449,261
Unlisted Securities (Private Equity)	100,153	121,844
Property Unit trusts	54,865	65,218
	<b>2,589,491</b>	<b>2,434,630</b>

**Other Investments** **137,150** **216,073**

**UK properties**

Freehold	299,225	247,472
Leasehold	56,250	47,878
	<b>355,475</b>	<b>295,350</b>

**Short Term Deposits** **116,573** **100,778**

**8. INVESTMENT MANAGEMENT EXPENSES**

Fees paid to the 6 major investment managers amount to £4.049m and constitute the bulk of the figure of £4.961m investment management fees. Charges vary between fund managers and between markets and types of security. Charges are calculated as a percentage of the value of the investments.

**9. CURRENT ASSETS AND LIABILITIES**

	<b>2007</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
<b>Assets</b>		
Contributions due	14,889	16,341
Accrued and outstanding investment income	7,290	9,168
Due from stockbrokers	3,768	494,166
Transfer values receivable	0	2,357
Cash at bank	4,670	25,624
Sundries	5,792	6,105
	<b>36,409</b>	<b>553,761</b>
<b>Liabilities</b>		
Due to stockbrokers	3,917	461,736
Transfer values payable	95	-
Provisions	304	617
Miscellaneous	7,548	7,641
	<b>11,864</b>	<b>469,994</b>
<b>Total Other Assets and Liabilities</b>	<b>24,545</b>	<b>83,767</b>

The figure of debtors does not include future payments from employers who are making special additional payments in respect of early retirement costs over an agreed number of years.

The high level of money due to and from stockbrokers is a reflection of the Asset Reallocation following the Triennial valuation of March 2008. This involved purchases and sales of stock that had not settled at 31 March 2008. These covered transfers of stock both within and between fund managers.

The reduction in "transfer values payable" figure reflects a recent decision that the Fund retains responsibility for a group of pensioners and deferred members whose former employer, having left the fund, will now consequently pay the Fund in respect of such liabilities.

## 10. COMMITMENTS

Commitments for investments amounted to £126.033m at 31 March 2008.

## 11. RELATED PARTY TRANSACTIONS

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 £3.275m (2007 £3.291m). Such charges principally relate to staffing required to maintain the pension service. A specific declaration has been obtained from principal officers and Pension Committee members regarding membership of and transactions with such persons or their related parties. No declarable related party transactions have been reported.

## 12. SUMMARY OF MANAGERS' PORTFOLIO VALUES AT 31 MARCH 2008

	£m	%
Externally Managed		
J P Morgan	160	3.8
UBS	318	7.6
Nomura	416	10.0
Schroders	214	5.1
Legal and General (Pooled Assets)	1,468	35.2
Legal and General (Bonds)	<u>227</u>	<u>5.5</u>
	2,803	67.2
Internally Managed	<u>1,368</u>	<u>32.8</u>
	<b>4,171</b>	<b>100.0</b>

## 13. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Committee hold 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. Members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year. As requested in the Local Authority Statement of Recommended Practice (2007) an aggregate breakdown between contributions, repayments and change in market value is now available for the balances at 31 March 2008.

The aggregate amounts of AVC investments are as follows:

	<b>2007</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Equitable Life	3,633	3,464
Standard Life	6,859	7,593
Prudential	<u>3,089</u>	<u>3,615</u>
	<b>13,581</b>	<b>14,672</b>

Changes during the year were as follows:

Change in March 2007 valuation for Standard Life	368
Contributions	1,627
Repayments	(1,106)
Change in market values	<u>202</u>
Increase in value from 2006-07 published accounts	<b>1,091</b>

#### **14. OPERATIONS AND MEMBERSHIP**

The Pensions Fund continues to be administered by Wirral Council. The overall responsibility for the management of the Fund rests with the Pension Committee, which, in making investment strategy and asset allocation decisions, is advised by the Investment Monitoring Working Party comprising members of the Pension Committee, Mercers Investment Consulting, two independent investment advisors and members of the in-house investment team. The Fund has a total of over 100 scheduled and admission bodies, details are given below.

As at 31 March 2008, there were 50,088 active members, 26,102 deferred members and 38,999 pensioners.

#### **Employers with active members as at March 31 2008:-**

2020 Knowsley Ltd  
 2020 Liverpool/Parkman  
 Age Concern - Liverpool  
 Arriva North West  
 Association of Police Authorities  
 Beechwood and Ballantyne Housing Association  
 Beechwood Educare Centre  
 Berrybridge Housing Ltd  
 Birkenhead 6th Form College  
 Birkenhead Citizens Advice Bureau  
 Birkenhead Market Services Ltd  
 Birkenhead School (2002)  
 Bluecoat School  
 Burton Manor Residential College  
 Calday Grange Grammar School  
 Carmel College  
 Catholic Children's Society  
 CDS Housing  
 Cobalt Housing Ltd  
 Commission for Social Care Inspection  
 Comtechsa Limited  
 Enterprise (Liverpool Housing)

Enterprise (Liverpool Highways) Ltd  
Enterprise Liverpool Neighbourhood Grounds  
Enterprise (St Helens)  
Enterprise Liverpool Cleansing  
Enterprise Liverpool Repairs Consultancy  
Geraud Markets Liverpool Ltd  
Glendale (Liverpool Parks Services) Ltd  
Glenvale Transport Ltd.  
Greater Hornby Homes  
Greater Merseyside Connexions  
Green Apprentices Ltd  
Halewood Parish Council  
Helena Housing  
Hugh Baird College  
Jarvis Workspace (Wirral Schools)  
Jarvis Workspace FM Ltd (Liverpool Schools)  
King David Primary School  
King George V College  
Knowsley Community College  
Knowsley Housing Trust  
Knowsley M.B.C.  
Knowsley Parish Council  
LACORS  
Lairdside Communities Trust  
Lee Valley Housing Association Ltd  
LHT (Liverpool Housing Trust)  
Libraries North West  
Liverpool 8 Law Centre  
Liverpool Association for the Disabled  
Liverpool Church of England Council for Social Aid  
Liverpool Citizens Advice Bureau  
Liverpool City Council  
Liverpool Community College  
Liverpool Hope University  
Liverpool John Moores University  
Liverpool Vision  
Local Government Association  
M.P.T.A.  
M.P.T.E  
Mersey Waste Holdings  
Merseyside Fire & Rescue Authority  
Merseyside Lieutenancy  
Merseyside Police Authority  
Merseyside Society for the Deaf  
Merseyside Valuation Tribunal  
Merseyside Waste Disposal Authority  
Merseyside Welfare Rights  
Merseyside Youth Association  
Mott Macdonald (M.I.S.)  
National Probation Service  
Netherley Citizens Advice Bureau

North Huyton New Deal New Future  
North Liverpool Academy Ltd  
North Liverpool Citizens Advice Bureau  
Novas Group  
Nugent Care  
OH Solutions Ltd.  
One Vision Housing Ltd.  
Partners Credit Union  
Prescot Town Council  
Rainford Parish Council  
Sefton Education Business Partnership  
Sefton M.B.C.  
South Liverpool Housing Ltd  
Southern Neighbourhood Council  
Southport College  
St Francis Xavier College  
St. Helens College  
St. Helens M.B.C.  
St. Hilda's CE High School  
St. Margarets CE High School  
Taylor Shaw Catering (St Wilfred's RC School)  
The Academy of St Francis  
The Peoples Centre  
The Port Sunlight Village Trust  
University of Liverpool  
Upton Hall Convent  
Vauxhall Neighbourhood Council  
Village Housing Association Ltd  
Wavertree Citizens Advice Bureau  
Whiston Parish Council  
Wirral Autistic Society  
Wirral Council Voluntary Service  
Wirral Grammar School  
Wirral M.B.C.  
Wirral Metropolitan College  
Wirral Partnership Homes Ltd

## **15. ACTUARIAL VALUATION**

Formal actuarial valuations are carried out every three years to ensure that employers' contribution rates are set at a level that will enable the fund to meet its future liabilities as they arise. The Triennial Valuation relevant to the 2007/08 accounts was that as at 31 March 2004. The results showed that the fund's assets at the valuation date were sufficient to cover 76% of its liabilities. The valuation method used was the Projected Unit Method and the principal assumptions used for the actuarial valuation were as follows: -

1. Annualised yield on long-dated gilts 1.8% - 4.6% p.a.
2. Assumed rate of future increase in pensionable pay 4.05% p.a.
3. Assumed rate of future pension increase 2.8% p.a.

At 31 March 2007 net assets of the fund amounted to £4,301m.  
At 31 March 2008 net assets of the fund amounted to £4,255m.

The employer contribution rates then confirmed are designed to return funding levels to 100% of total liabilities. The rates are determined having regard to the individual circumstances of each employer. The rates for 2008/09 to 2010/11 were set by the Triennial Valuation as at 31 March 2008.

## **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 of the last valuation (experience gains or losses)
- The actuarial assumptions have changed.

### **AMORTISATION**

Amortisation is the equivalent of depreciation for intangible assets.

### **AUDIT COMMISSION**

Auditors employed to independently audit the accounts of local authorities.

### **BUDGET**

Statement of spending plans for the year.

### **BUSINESS RATES**

See Non Domestic Rates

### **CAPITAL CHARGE**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed 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 for the repayment of grants and loans made 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**

Generally taken to be referred to as the Accounting Code of Practice issued by CIPFA. This is a code of accounting practice that local authorities in England and Wales must comply with 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.

**COMMUNITY ASSETS**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

**CREDITORS**

Organisations and individuals to whom the Council owes money.

**CURRENT LIABILITY**

A loss that is likely to be incurred in the future.

**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.

**DEFERRED CHARGES**

These represent capitalisable items of expenditure where no tangible asset exists but where the cost is to be amortised to revenue over an appropriate period.

**DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**DEFINED CONTRIBUTION SCHEME**

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

**DEPRECIATION**

A notional charge representing the extent to which an asset has been worn out or used up during the year.

## **DISCONTINUED OPERATIONS**

An operation is classified as discontinued when the activities related to the operation have ceased permanently and the termination represents a material reduction in its provision of services.

## **EXPECTED RATE OF RETURN ON PENSIONS ASSETS**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

## **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less, where applicable, any grants receivable towards the purchase or use of the asset.

## **FIXED ASSET**

Assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

## **FRS17**

FRS 17 is Financial Reporting Standard 17, the Accounting for Retirement Benefits. The Standard, requires the Council to show its outstanding liability to the Pension Fund in its accounts rather than just the payments made into the Pension Fund in the year.

## **GENERAL FUND**

The main revenue fund of the Council. Day to day spending on services is met from the fund.

## **GOVERNMENT GRANTS**

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

## **HOUSING REVENUE ACCOUNT (HRA)**

Local authorities are required to maintain a separate account, which sets out expenditure and income arising from the provision of housing.

## **IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

## **INFRASTRUCTURE ASSETS**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

### **INTANGIBLE FIXED ASSETS**

“Non-financial” fixed assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights. Purchased intangibles (e.g. software licences) are capitalised at cost, whilst internally developed intangibles are only capitalised where there is a readily ascertainable market for them.

### **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that Fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

### **INVESTMENTS (NON-PENSION FUND)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor’s ability to dispose of the investment.

### **INVESTMENT PROPERTIES**

Interest in land and/or buildings:

- i) in respect of which construction work and development have been completed, and
- ii) which is held for its investment potential, any rental income being negotiated at arm’s length.

### **LOCAL AREA AGREEMENT**

LAA set out the priorities for a local area agreed between central government and a local area (the local authority and Local Strategic Partnership) and other key partners at the local level.

### **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount that the Council must charge to the revenue account, for debt redemption.

### **NATIONAL NON-DOMESTIC RATES (NNDR)**

Another name for non-domestic rates.

### **NET BOOK VALUE**

The amount at which fixed assets are included in the balance sheet ie. their historical cost or current value less the cumulative amount provided for depreciation.

### **NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use ie. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**NET EXPENDITURE**

Gross expenditure less specific service income but before the deduction of revenue support grant and local taxation.

**NET REALISABLE VALUE**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

**NON-DOMESTIC RATES (NDR)**

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 and police authorities on the basis of population.

**NON-OPERATIONAL ASSETS**

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**PAST SERVICE COST/GAIN**

For a defined benefit scheme, the increase or reduction in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the revision of retirement benefits.

**POST BALANCE SHEET EVENT**

Events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Director of Finance.

**PRECEPT**

This is a charge levied by one Council or other legally specified entity which is collected on its behalf by another by adding the precept to its own Council Tax and paying over the appropriate cash collected.

**PRIOR YEAR ADJUSTMENTS**

These are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## **PROJECTED UNIT METHOD**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- i) the benefits for pensioners and deferred pensioners (ie. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- ii) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

## **PROVISIONS AND RESERVES**

Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses that are likely or certain to be incurred but the amounts or the dates on which they arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or balances) that every Council must maintain as a matter of prudence.

## **RECHARGES**

The transfer of costs from one account to another.

## **RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- i) an employer's decision to terminate an employee's employment before the normal retirement date; or
- ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

## **REVENUE SUPPORT GRANT (RSG)**

This is a Government grant in aid of 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.

## **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.

## **SCHEME LIABILITIES**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

## **SORP**

Professional guidance issued to assist Local Authority Accounting.

**SPECIFIC GOVERNMENT GRANTS**

Grants to aid particular services and may be revenue or capital in nature.

**STOCKS**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- i) goods or other assets purchased for resale;
- ii) consumable stores;
- iii) raw materials and components purchased for incorporation into products for sale;

**UNAPPORTIONABLE CENTRAL OVERHEADS**

Overheads for which no user now benefits and that are not apportioned to services.

**USEFUL LIFE**

The period over which the local Council will derive benefits from the use of a fixed asset.

## Feedback

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:

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