



Statement of Accounts 2010/11

These draft statements demonstrate the financial performance of Wirral Council for the financial year ending 31 March 2011.

**These draft accounts are subject to consideration by the Audit and Risk Management Committee
28 September 2011**

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EXPLANATORY FOREWORD

1. INTRODUCTION

- 1.1 This foreword explains the Council's overall financial position including the main influences on the accounts and aims to assist in the understanding of the accounting statements.

2. ABOUT THE STATEMENT OF ACCOUNTS

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

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

- 2.3 A brief description of the main statements and areas covered:-
- Statement of Responsibilities sets out the responsibilities of the Council and of the Director of Finance.
 - Annual Governance Statement shows how the Council has ensured the effectiveness of systems for ensuring it operates legally and that public money is properly used and accounted for.
 - Main Financial Statements comprise four key statements:-
 - Movement in Reserves Statement shows the movement on the different reserves that the Council holds.
 - Comprehensive Income and Expenditure Statement shows all income and expenditure for the Council.
 - Balance Sheet shows the financial standing of the Council at 31 March 2011 detailing all assets and liabilities.
 - Cash Flow Statement shows the inflows and outflows of cash arising from transactions with other parties.
 - Notes to the statements provide further detail and explanation of the items contained within the Main Financial Statements.
 - The Collection Fund and notes cover the Council Tax and Non-Domestic Rates collected and paid to the precepting authorities and the national Non-Domestic Rate pool.
 - Pension Fund covers the financial position of the Merseyside Pension Fund which is managed by Wirral Council.
 - Glossary of Financial Terms explains the technical terms used.

2.4 The main changes in the Statement this year relate to the full implementation of International Financial Reporting Standards (IFRS). This has required changes to the form of the main financial statements and an increase in the number of notes. IFRS also changed the treatment of certain transactions and balances so the amounts presented in the 2010/11 statements are different from the equivalent figures presented in the Statement of Accounts 2009/10. The note dealing with the impact of the adoption of IFRS provides further details of the accounting changes and do not impact upon the level of spend and the Council Tax.

3. REVIEW OF THE FINANCIAL YEAR

3.1 REVENUE EXPENDITURE AND INCOME

3.1.1 The spending on services provided to the people of Wirral is met from Government Grants and the local taxpayer through the Council Tax. For 2010/11 the increase in Council Tax was 1.67%. The Council spent over £250 million on services in 2010/11 which was met from a combination of Government Grants, Non-Domestic Rates and Council Tax.

3.1.2 The financial position is regularly monitored, particularly for those areas most prone to variation. The Coalition Government announced reductions in grant funding with Wirral's funding reduced by £5.5 million. Whilst actions were taken to maintain spending within the resources available, pressures within Adult Social Services and Children's Services for care services resulted in overspending within these areas. Offsetting the overspends were one-off benefits from the treasury management activities and increased grant receipts in respect of Housing and Council Tax benefit through changes in the management and processing of applications. As a consequence the overall position for 2010/11 was a net overspend of £0.3 million on revenue.

3.1.3 At the end of the year there was £15.1 million in General Fund balances with the main contributions being from:-

- Connexions Pension Reserve of £4.7 million being no longer required following revisions to the Council's pension liabilities.
- Insurance Fund of £4.4 million due to continued improvements in the management of claims liability.
- Housing Benefit reserves and provisions of £2.2 million as a result of improvements in processing and recovery of grant from Government.

A proportion of these balances are planned to be used in 2011/12 and a minimum of £6 million represents a prudent level of General Fund balance consistent with sound financial management.

3.1.4 In response to the impending reductions in Government funding for the public sector, the Council in autumn 2010 sought to reduce the workforce through the Early Voluntary Retirement / Voluntary Severance Scheme. This will result in over 1,100 individuals leaving the Council between December 2010 and July 2011. The Comprehensive Income and Expenditure Account reflects the £21.3 million of severance costs that the Council has either paid, or had to make provision for, in 2010/11.

3.2 CAPITAL EXPENDITURE AND INCOME

- 3.2.1 During 2010/11 £59 million was spent on capital projects including the acquisition and improvement of assets and infrastructure. The largest project was in respect of education services with the completion of the new Woodchurch High School and Park Primary School with funding secured for the Birkenhead Girls Academy. A large number of schools have benefitted from lesser modernisation and improvement works. Investment into regeneration continued with the New Heartlands Housing Market Renewal Initiative targeting areas in Birkenhead and Wallasey and the redevelopment of New Brighton continued. Improvements to highways, bridges and road safety projects included the ongoing Bidston Viaduct scheme.
- 3.2.2 The main source of funding came from grants allocated by Central Government for specific schemes or projects and primarily investment in schools. In 2010/11 £44 million of grants were received to fund the total spend of £59 million with the balance met from a combination of borrowing and capital receipts generated from the sale of surplus assets.

3.3 BALANCE SHEET

3.3.1 Balances, Provision and Reserves

The Council seeks to maintain a level of balance sufficient to meet any unforeseen events. In agreeing the 2010/11 Budget it was anticipated that the balance would be £6.5 million by 31 March 2011. The level is based upon an assessment of the risks involved in managing the overall budget and recent experiences in terms of spending compared to the budgets allocated. With reductions in the level of spend £6 million is considered to be adequate.

The General Fund balance will vary as a result of the financial decisions of the Council. When setting the annual budget sums in excess of the prudent level can be, and are, used to help provide for services. For example the 2011/12 Budget included the use of £2.8 million on a range of one-off initiatives.

Whilst the General Fund balance is 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. At 31 March 2011 the major reserves within the total of £90 million were in respect of the Insurance Fund, Housing Benefit, Working Neighbourhoods Fund and School balances. The latter are only available for use by the schools. Within the £25 million of provisions the majority related to the Early Voluntary Retirement / Voluntary Severance Scheme costs, Insurance Fund and Housing Benefit.

The Balance Sheet at 31 March 2011 shows a net asset position of £197 million. The net worth of the Balance Sheet excluding the Net Pensions Liability is a net asset position of £532 million. Further information in respect of the Pensions Liability is covered in the section on Retirement Benefits.

3.3.2 **Assets and Investments**

As part of the rolling programme of valuations a further series of assets were revalued during the year. In total the Council had an asset portfolio valued at £699 million at 31 March 2011 and included land and buildings as well as infrastructure assets such as roads.

Total investments at 31 March 2011 were £136 million with the majority of investments being on a short term basis with financial institutions. Throughout 2010/11, as in previous years, the over-riding approach was one of security and liquidity with the diminution in investment return being the acceptable risk / reward consequence. The investment income during the year totalled £1.7 million.

3.3.3 **Outstanding Debts and Borrowing**

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

In managing debt the aims are to reduce the overall exposure to interest rate movements, to lower long-term interest charges paid and smooth the maturity profile without compromising longer-term stability. Debt rescheduling has become more challenging and places greater emphasis on the timing and type of new borrowing. No debt rescheduling took place in 2010/11.

At 31 March 2011 the long term debt totalled £256 million. Of this, £171 million was with financial institutions and £85 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.

3.3.4 **Retirement Benefits**

All authorities fully adopt the accounting policies contained with International Accounting Standard 19 "Employee Benefits". The principle behind IAS19 is that an organisation should account for retirement benefits when it is committed to pay them, even if the actual payment will be many years in the future. The actuaries engaged by the Council have estimated the underlying long term commitment to pay retirement benefits to be £335 million at 31 March 2011.

The recognition of this liability in the accounts has a substantial effect on the net worth of the Council and is subject to variation each year as it is dependent upon both the national and the global economic situation. 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.

3.4 CLIMATE CHANGE AND SUSTAINABILITY

3.4.1 Positive actions to address climate change and sustainability continue. These include enhancements around the recycling and waste agenda; the move towards technological rather than paper based systems; the better use of buildings; environmental and sustainability considerations are factored into major building schemes and Council energy consumption is reducing with plans to reduce this further. There is support for the wider community through home insulation initiatives and community buildings grants.

3.5 GOVERNANCE

3.5.1 The Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

3.5.2 The Annual Governance Statement, although no longer required as part of the Statement of Accounts, has been included. The Leader and Chief Executive concluding that the governance arrangements have been operating effectively during the year and proposing to take any necessary steps to ensure that any matters needing to be addressed will be taken to further enhance governance arrangements.

4. RECENT AND FUTURE DEVELOPMENTS

4.1 BUDGET 2011/12

4.1.1 The Council Budget for 2011/12 saw a nil Council Tax rise from 1 April 2011 as for other Councils in England as the Government offered additional grant funding to those setting a zero increase.

4.1.2 The Budget reflects the impact of the Government Spending Review 2010 which sought to reduce the national deficit and resulted in a reduction in Wirral's grant funding for 2011/12. The consultation exercise "Wirral's Future – Be A Part Of It" has been important in shaping future priorities and identifying efficiencies.

4.2 FORWARD PLANS

4.2.1 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 Medium Term Financial Strategy and Annual Budget underpin the Corporate Plan in seeking to achieve Wirral's Vision.

- 4.2.2 There are increasing pressures from delivering services where demand and expectations are rising against the limited funding available. This is expanded upon in the Medium Term Financial Strategy. The regularly updated reports on the Projected Budgets for future years include actions proposed to address any gap between the projected spend and likely resources.
- 4.2.3 Value for money remains a key area. The Council continues to identify and implement a range of actions to deliver efficiencies and greater value for money to ensure services are delivered in the most effective way.

4.3 ECONOMIC POSITION

- 4.3.1 The global economic situation has affected, and will continue to affect public services in a variety of ways. The pressures on the Government to address the public sector deficit have been widely publicised and this will place further pressure upon the public sector and the financial position of the Council.
- 4.3.2 As in preceding years the impact upon the accounts was in respect of income and, in recognition of the ability of individuals to meet their financial obligations, a further increase was made in the sums set aside for potential bad debts.
- 4.3.3 Based upon the information presently available the Council's Projected Budget for 2012/15 shows a gap between the planned spend and likely resources of around £80 million. This equates to a further 25% reduction in the net spend of the Council and will lead to further difficult decisions around the provision of services and the priorities of the Council over the coming years.
- 4.3.4 Measures taken in 2010/11, and in the Budget 2011/12, seek to help support local businesses and the citizens of Wirral. The level of balances, including provisions and reserves, is at a level to help mitigate any impact upon the financial position.

5. CONCLUSIONS

- 5.1 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. The Statement is a key element in reporting how Council finances have been managed whereas the Council Tax Explained booklet issued with the Council Tax demands at the beginning of each year sets out the plans for the year.
- 5.2 The Council continues to strive to promote and enhance all aspects of financial management and successfully managed its finances during 2010/11. The Council will face a number of challenges in future years but it retains a sound financial base, including the General Fund balance plus the specific provisions and reserves, from which it can respond.

IAN COLEMAN

DIRECTOR OF FINANCE

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, 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 Council's Statement of Accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

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 local authority SORP.

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 provides a true and fair view of the financial position of Wirral Council at 31 March 2011 and its Income and Expenditure for the year ended 31 March 2011.

Ian Coleman
Director of Finance

Date: 28 September 2011

ANNUAL GOVERNANCE STATEMENT 2010/2011

This Statement will be included after it, and these Accounts are further considered at Audit and Risk Management Committee on 28 September 2011.

Main Financial Statements

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MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Ear- marked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2009	8,282	80,485	9,472	13,090	111,329	134,712	246,041
Movement in reserves during 2009/10							
Surplus or (deficit) on the provision of services	(15,100)	-	-	-	(15,100)	-	(15,100)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(103,080)	(103,080)
Total Comprehensive Income and Expenditure	(15,100)	-	-	-	(15,100)	(103,080)	(118,180)
Adjustments between accounting basis and funding basis under regulations (Note 8)	33,938	-	(425)	16,167	49,680	(49,680)	-
Net Increase/ Decrease before Transfers to Earmarked Reserves	18,838	-	(425)	16,167	34,580	(152,760)	(118,180)
Transfers to/from Earmarked Reserves (Note 9)	(13,362)	13,362	-	-	-	-	-
Increase/ Decrease in 2009/10	5,476	13,362	(425)	16,167	34,580	(152,760)	(118,180)
Balance at 31 March 2010	13,758	93,847	9,047	29,257	145,909	(18,048)	127,861

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	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2010	13,758	93,847	9,047	29,257	145,909	(18,048)	127,861
Movement in reserves during 2010/11							
Surplus or (deficit) on the provision of services	32,425	-	-	-	32,425	-	32,425
Other Comprehensive Income and Expenditure	-	-	-	-	-	35,289	35,289
Total Comprehensive Income and Expenditure	32,425	-	-	-	32,425	35,289	67,714
Adjustments between accounting basis and funding basis under regulations (Note 8)	(34,729)	-	(775)	1,587	(33,917)	33,917	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(2,304)	-	(775)	1,587	(1,492)	69,206	67,714
Transfers to/from Earmarked Reserves (Note 9)	3,610	(3,610)	-	-	-	-	-
Increase/Decrease in 2010/11	1,306	(3,610)	(775)	1,587	(1,492)	69,206	67,714
Balance at 31 March 2011	15,064	90,237	8,272	30,844	144,417	51,158	195,575

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10				2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
37,855	32,119	5,736	Central services to the public	40,637	32,771	7,866
97,316	30,257	67,059	Cultural, environmental, regulatory and planning services	102,529	31,178	71,351
388,031	310,342	77,689	Education and children's services	419,336	322,994	96,342
19,778	7,017	12,761	Highways and transport services	21,296	7,132	14,164
159,360	144,656	14,704	Other housing services	157,908	139,929	17,979
120,691	34,060	86,631	Adult social care	147,666	46,242	101,424
5,183	(22)	5,205	Corporate and democratic core	7,307	1,932	5,375
1,585	-	1,585	Non distributed costs	(55,267)	-	(55,267)
829,799	558,429	271,370	Cost of Services	841,412	582,178	259,234
78,442	-	78,442	Other operating expenditure (Note 10)	55,560	-	55,560
74,731	38,244	36,487	Financing and investment income and expenditure (Note 11)	31,287	3,880	27,407
-	371,199	(371,199)	Taxation and non specific grant income (Note 12)	-	374,626	(374,626)
		15,100	(Surplus) or Deficit on Provision of Services			(32,425)
		(11,625)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			15,975
			Surplus on revaluation of PFI liability			(5,163)
		(55)	Surplus or deficit on revaluation of available for sale financial assets			-
		114,760	Actuarial gains/losses on pension assets / liabilities			(46,101)
		103,080	Other Comprehensive Income and Expenditure			(35,289)
		118,180	Total Comprehensive Income and Expenditure			(67,714)

BALANCE SHEET

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

31 March 2010 £000		Notes	31 March 2011 £000
713,720	Property, Plant & Equipment	13	684,858
13,402	Investment Property	14	14,105
1,131	Intangible Assets	15	813
11,073	Long Term Investments	16	11,295
68,018	Long Term Debtors	41	64,296
807,344	Long Term Assets		775,367
68,711	Short Term Investments	16	62,603
2,099	Assets Held for Sale	19	2,957
278	Inventories		343
66,153	Short Term Debtors	17	55,813
34,558	Cash and Cash Equivalents	18	58,372
171,799	Current Assets		180,088
19,372	Short Term Borrowing	16	17,715
65,953	Short Term Creditors	20	61,190
2,110	Provisions	21	16,731
87,435	Current Liabilities		95,636
6,937	Provisions	21	8,583
261,108	Long Term Borrowing	16	256,416
493,448	Other Long Term Liabilities	23,38 39,42	396,517
2,354	Capital Grants Receipts in Advance	35	2,728
763,847	Long Term Liabilities		664,244
127,861	Net Assets		195,575
145,909	Usable Reserves	22	144,417
(18,048)	Unusable Reserves	23	51,158
127,861	Total Reserves		195,575

CASH FLOW STATEMENT

The Cash Flow Statement shows the Changes in Cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2009/10 £000		2010/11 £000
15,100	Net (surplus) or deficit on the provision of services	(32,425)
(46,462)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(2,353)
3,575	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,226
(27,787)	Net cash flows from Operating Activities (Note 24)	(32,552)
7,930	Investing Activities (Note 25)	614
17,459	Financing Activities (Note 26)	8,124
(2,398)	Net increase or decrease in cash and cash equivalents	(23,814)
(32,160)	Cash and cash equivalents at the beginning of the reporting period	(34,558)
(34,558)	Cash and Cash equivalents at the end of the reporting period (Note 18)	(58,372)

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Notes to the Main Financial Statements

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NOTES TO THE MAIN FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

General

The accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code), as recommended by CIPFA, supported by guidance notes on the application of accounting standards. The accounting convention adopted is historical cost modified for the valuation of certain categories of non current assets and financial instruments. They are also prepared on a going concern basis. The Code of Practice specifies the principles and practices of accounting required to prepare a Statement of Accounts which provides a true and fair view of the financial position and transactions of the Council and is based on approved international accounting standards, except where these might conflict with specific statutory accounting requirements.

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

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

The qualitative characteristics of financial information

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

Pervasive accounting concepts

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

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

The 2010/11 Statement of Accounts is the first to have been prepared in accordance with International Financial Reporting Standards as adopted and amended as necessary in the Code.

There are several changes in accounting policy required as a result of the move from the UK's generally accepted accounting principles based on the Statement of Recommended Practice (SORP) to the IFRS based Code. The main changes are detailed below:-

- Cash and cash equivalents.
- Government grants and other contributions and donated assets.
- Employee benefits.
- Investment properties.
- Assets held for sale and discontinued assets.
- Property, plant and equipment.
- Leases.

Accruals of Income and Expenditure

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

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

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

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

Capital Receipts

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

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

Cash and Cash Equivalents

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

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

Contingent Assets and Liabilities

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

Debt Redemption (The Minimum Revenue Provision)

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

The Council approved the following MRP policy for the 2010/11 financial year:

- (a) The MRP charge in relation to borrowing for capital expenditure incurred prior to 2007/08 will be unaffected by the regulations.
- (b) The MRP in relation to capital expenditure incurred in 2007/08 and 2008/09, where the expenditure is funded by supported borrowing, is calculated on the basis of the Regulatory method.
- (c) The MRP in relation to capital expenditure incurred in 2007/08 and 2008/09, where the expenditure is funded by unsupported borrowing, is calculated on the basis of the Asset Life Method. This means that MRP will be charged to the revenue account in line with the Council's depreciation policy for assets. For assets with a life greater than 25 years MRP will be over 25 years.
- (d) Where an amount has been used to reduce a liability arising from a Finance lease or PFI arrangement rather than being charged to revenue, a charge equal to that amount will be added to the annual MRP charge.

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

Employee Benefits

Benefits payable during employment

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

Termination benefits

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

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

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

Post employment benefits

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

- The Teachers' Pension Scheme, administered by Capita Hartshead on behalf of the Department for Education (DfE) for teachers. The arrangements for this scheme mean that liabilities for these benefits cannot be identified with the Council. The scheme is, therefore, accounted for as if it were a defined contributions scheme - no liability for future payments of benefits is recognised in the Balance Sheet and revenue accounts are charged with the employer's contributions payable to the Teachers' Pensions Agency in the year. The pension cost charged to the accounts is the contribution rate set on the basis of a notional fund.
- The Local Government Pension Scheme, administered by the Merseyside Pension Fund for all other employees. From 1 October 1987 the Council has administered this fund on behalf of all scheduled and admitted bodies. The Council operates a defined benefit scheme and costs are charged to the Council's accounts on the basis of a three-yearly actuarial valuation. In 2010/11 the contribution represented 17.6% of pensionable pay. The latest valuation was at 31 March 2010 and determined the contributions for the years 2011/14.

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

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

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

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

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

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

- (i) current service cost - the increase in liabilities as a result of years of service earned this year, allocated to the revenue accounts of services for which the employees worked.
- (ii) past service gains - the increase in liabilities arising from current year decisions where the effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Cost of Services in the Comprehensive Income and Expenditure Statement.
- (iii) interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- (iv) expected return on assets - the annual investment return on the Fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- (v) gains/losses on curtailments - the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited or credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- (vi) actuarial gains/losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are affected in the Pension Reserve.
- (vii) contributions paid to Merseyside Pension Fund - cash paid as employer's contributions to the Pension Fund.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the Pension Fund in the year. In the Movement in Reserves Statement on the General Fund Balance this means that there is an appropriation to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the Fund but unpaid at the year-end.

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

Events after the Balance Sheet Date

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

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

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

Exceptional Items and Prior Year Adjustments

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

Material adjustments applicable to prior years arising from changes in accounting policy or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and supporting notes. If there is a material effect on the outturn for the preceding period this is disclosed where practicable.

Financial Instruments

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

Initial Recognition

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

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

Initial Measurement

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

Financial Liabilities

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

Financial Assets

Financial Assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at amortised costs. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most 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 Comprehensive Income and Expenditure Statement 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 is made to the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

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

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

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

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

Instruments entered into before 1 April 2006

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

Disclosure of the nature and risk arising from Financial Instruments

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

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

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

Foreign Currency

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

Government Grants and Other Contributions

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

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

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

The Area Based Grant is a non-ring fenced general grant, for which no conditions on its use are imposed as part of the grant determination ensuring full local control over how the funding can be used. It is not restricted to achieving Local Area Agreement targets. ABG is a general grant and is included in the Comprehensive Income and Expenditure Statement with other general grant income sources.

Group Accounts

Group Accounts are covered by IFRS3 Business Combinations.

An assessment of the criteria for the completion of group accounts has been undertaken and the conclusion reached that there was no requirement to produce such accounts. Only the Council's share of Joint Arrangements that are not entities have been included in the Statement of Accounts.

Intangible Assets

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

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

Investment Properties

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

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

Joint Arrangements that are not Entities (JANE)

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

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

Leasing

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

The Council as Lessee

Finance Lease

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

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

Operating Leases

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

The Council as Lessor

Finance Lease

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

Operating Lease

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

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

Arrangements containing a lease

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

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

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

Local Taxes

Council Tax

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

National Non-Domestic Rates

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

Non-Current Assets held for sale and Discontinued Operations

Non-Current Assets held for sale

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

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

Discontinued operations

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

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

Non-Distributed Costs

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

Overheads

In line with Best Value Accounting Code of Practice 2010/11, charges or apportionments for the costs of support services are made to all users. Support service costs are allocated using the most appropriate basis available, for example, allocated on the basis of actual time spent by staff on the various services. Other bases are used to allocate computing costs which are allocated on the amount of central processing use and Service Level Agreements. Administrative Buildings are allocated on the basis of area occupied. The costs of the Corporate and Democratic core and of Non-Distributed costs are each allocated to a separate objective expenditure head and are not apportioned to other expenditure heads.

Private Finance Initiative (PFI)

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

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

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

Property, Plant and Equipment

Recognition

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

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

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

Measurement

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

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

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

In accordance with CIPFA guidance, all assets, with the exception of infrastructure, were revalued by the end of March 2003. Qualified valuers employed within the Department of Law, HR and Asset Management, using the valuation techniques referred to above, undertook the valuation exercise. A further valuation of all assets was undertaken on the basis of a rolling programme by March 2011.

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

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

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

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

Impairment

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

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

Depreciation

Depreciation is charged on all Property, Plant and Equipment assets with a finite useful life apart from non-depreciable land, community assets and assets that are not yet available for use (i.e. under construction). It is calculated on the amount at which the asset is included in the Balance Sheet less an estimate for its residual value. Revaluation gains are also depreciated with an amount equal to the difference between current values depreciated charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

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

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

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

Charges to Revenue for 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/revaluation losses attributable to the clear consumption of economic benefits on non-current 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 Movement in Reserves Statement.

Provisions

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

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

The principal provisions relate to bad debts and insurance. The former have been deducted from debtors in the Balance Sheet, rather than being shown in provisions. As part of compliance with IFRS7, "Financial Instruments: Disclosure", amounts shown as due from debtors are individually or collectively (for debts that are not significant) reviewed for impairment. Any known uncollectable debts will be written off to the appropriate service account. The insurance provision relates to outstanding liability claims. The figure is the sum indicated by actuaries as being required to fund claims for years up to and including 2010/11.

Revenue Expenditure funded from Capital under Statute

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

Repurchase of Borrowing

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

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

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

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

Reserves

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

The Usable reserves held at 31 March 2011 include:-

- General Fund.
- Earmarked Reserves.
- Capital Receipts Reserve.
- Capital Grants Unapplied.
- Capital Grants Received in Advance.

The Unusable reserves include:-

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

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

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

Value Added Tax (VAT)

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

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

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

For 2010/11 the only change relates to FRS 30 Heritage Assets. The impact of this reporting standard will be in the 2011/12 accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.4 million for every year that useful lives had to be reduced. Over a period of 5 years (before the next valuation takes place) this could result in an error of £2.1 million - this is not material.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £16.879 million. However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had reduced by £87.76 million. This reduction includes: <ul style="list-style-type: none"> • a reduction in the actuarial valuation of expected liabilities due to changes in scheme benefits of £58.824 million; • an increased actuarial valuation of scheme assets of £31.212 million; • reduced pension costs recognised for the scheme of £12.6 million • employer contributions actually paid of £28.091 million.

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

5. MATERIAL ITEMS OF INCOME AND EXPENSES

Items in the Comprehensive Income and Expenditure Statement that are not disclosed on the face of the statement but are material include pension costs and curtailments within Non Distributed costs line. These two items amount to a credit of £58.8 million.

6. EXCEPTIONAL ITEMS

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

A total of £21.3 million in additional Termination Benefits (referred to in note 40) have been incurred during 2010/11. The detail of how this has affected the outturn of the services is given below. This shows the amounts included in each service line:

Statement of Account Line	£000
Central Services to the Public	787
Cultural, Environmental, Regulatory & Planning	3,905
Children's and Educational Services	5,642
Highways and Transport Services	722
Housing Services	1,101
Adult Social Care	8,372
Corporate & Democratic Core	261
Trading Services	554
Total	21,344

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

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

7. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the Balance Sheet date.

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2009/10	Usable Reserves			Movement in Usable Reserves £000	Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Depreciation of non current assets	27,630	-	-	27,630	(27,630)
Impairment and revaluation losses of non current assets	19,629	-	-	19,629	(19,629)
Movement in market value of investment property	863	-	-	863	(863)
Amortisation of intangible assets	274	-	-	274	(274)
Capital grant and contributions applied	(50,080)	-	-	(50,080)	50,080
Revenue Expenditure Funded from Capital under Statute	1,958	-	-	1,958	(1,958)
Amount on non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	35,297	-	-	35,297	(35,297)
Insertion of items not debited or credited to the CIES:					
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(9,322)	-	-	(9,322)	9,322
Statutory Repayment of Debt (Finance Lease Liabilities)	(1,547)	-	-	(1,547)	1,547
Statutory Repayment of Debt (PFI)	(640)	-	-	(640)	640
Capital expenditure charged against the General Fund	(624)	-	-	(624)	624
Adjustments primarily involving the Capital Grants Unapplied Account:					
Net increase after capital financing	-	-	16,167	16,167	(16,167)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and expenditure Statement	-	3,581	-	3,581	(3,581)
Use of the Capital Receipts Reserve to finance capital expenditure	-	(4,000)	-	(4,000)	4,000

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(Table continued from previous page)

2009/10	Usable Reserves			Movement in Usable Reserves £000	Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipt pool	6	(6)	-	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year with statutory requirements	(134)	-	-	(134)	134
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	42,635	-	-	42,635	(42,635)
Employers pension contributions and direct payments to pensioners in the year	(30,802)	-	-	(30,802)	30,802
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(398)	-	-	(398)	398
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(807)	-	-	(807)	807
Total adjustments	33,938	(425)	16,167	49,680	(49,680)

2010/11	Usable Reserves			Movement in Usable Reserves £000	Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the CIES					
Depreciation of non current assets	19,446	-	-	19,446	(19,446)
Impairment and revaluation losses of non current assets	34,701	-	-	34,701	(34,701)
Movement in market value of investment property	(2,382)	-	-	(2,382)	2,382
Amortisation of intangible assets	329	-	-	329	(329)
Capital grant and contributions applied	(45,622)	-	-	(45,622)	45,622
Revenue Expenditure Funded from Capital under Statute	4,169	-	-	4,169	(4,169)
Amount on non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10,979	-	-	10,979	(10,979)
Insertion of items not debited or credited to the CIES				-	-
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(9,619)	-	-	(9,619)	9,619
Statutory Repayment of Debt (Finance Lease Liabilities)	(1,242)	-	-	(1,242)	1,242
Statutory Repayment of Debt (PFI)	(1,969)	-	-	(1,969)	1,969
Capital expenditure charged against the General Fund	(192)	-	-	(192)	192
Adjustments primarily involving the Capital Grants Unapplied Account				-	-
Net increase after capital financing	-	-	1,587	1,587	(1,587)
Adjustments primarily involving the Capital Receipts Reserve				-	-
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and expenditure Statement	-	2,242	-	2,242	(2,242)
Use of the Capital Receipts Reserve to finance capital expenditure	-	(3,000)	-	(3,000)	3,000
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipt pool	17	(17)	-	-	-

(Table continues on next page)

(Table continued from previous page)

2010/11	Usable Reserves			Movement in Usable Reserves £000	Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
Adjustments primarily involving the Financial Instruments Adjustment Account				-	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year with statutory requirements	(328)	-	-	(328)	328
Adjustments primarily involving the Pensions Reserve				-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(11,765)	-	-	(11,765)	11,765
Employers pension contributions and direct payments to pensioners in the year	(31,185)	-	-	(31,185)	31,185
Adjustments primarily involving the Collection Fund Adjustment Account				-	-
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(815)	-	-	(815)	815
Adjustments primarily involving the Accumulated Absences Account				-	-
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is Different from the remuneration chargeable in the year in accordance with statutory requirements	749	-	-	749	(749)
Total adjustments	(34,729)	(775)	1,587	(33,917)	33,917

9. TRANSFERS TO/FROM EARMARKED RESERVES

The Council keeps a number of reserves in the Balance Sheet that have been set up to earmark funding for future spending plans. These are held for costs which are likely to be incurred but their timing is not certain and they cannot be met from annual budgets. A review of Reserves was carried out as part of the 2011/12 budget setting process. The following describes each earmarked reserve where the balance is in excess of £0.2 million on either 31 March 2010 or 31 March 2011.

	Balance at 1 April 2008 £000	Movement 2008/09 £000	Balance at 1 April 2009 £000	Movement 2009/10 £000	Balance at 31 March 2010 £000	Movement 2010/11 £000	Balance at 31 March 2011 £000
Earmarked Reserves							
Housing Benefit	10,816	3,179	13,995	1,300	15,295	(3,140)	12,155
Schools Balances	11,931	(2,717)	9,214	(787)	8,427	3,306	11,733
Working Neighbourhood Fund	-	5,524	5,524	6,255	11,779	(1,477)	10,302
Insurance Fund	14,713	(639)	14,074	(293)	13,780	(4,243)	9,537
Debt Restructuring	6,103	919	7,022	919	7,941	-	7,941
Reserve Schools Harmonisation	-	300	300	300	600	5,282	5,882
Minimum Revenue Provision	2,000	2,400	4,400	-	4,400	-	4,400
Community Fund Asset Transfer	-	-	-	-	-	3,721	3,721
Local Pay Review	3,335	2,155	5,490	885	6,375	(3,617)	2,758
Intranet Development	1,683	-	1,683	(50)	1,633	750	2,383
One Stop Shop / Libraries IT Networks	333	40	373	(25)	349	1,436	1,784
Supporting People Programme	2,392	(252)	2,140	(507)	1,632	(81)	1,551
Schools Capital Schemes	904	1,483	2,387	(1,012)	1,375	(320)	1,055
Group Repair	171	532	703	177	880	112	992
Strategic Asset Review	-	-	-	866	866	(59)	808
Home Adaptations	233	-	233	-	233	333	566
Cosyhomes Insulation	-	-	-	-	-	531	531
Merseyside Information Service Termination Costs	-	-	-	-	-	500	500
Libraries (Planned Preventative Maintenance)	-	-	-	-	-	486	486
Matching Fund	339	35	374	21	395	81	477
Heritage Fund	206	120	326	95	420	-	420
Schools Automatic Meter Readers	-	-	-	415	415	-	415
Regeneration Schemes Fund	-	-	-	-	-	388	388
Schools Contingency	478	(109)	369	-	370	-	370
West Wirral Schemes	-	-	-	175	175	157	332
Local Area Agreement Reward	-	-	-	380	380	(50)	331
Property Maint Disabled Access	-	-	-	100	100	211	311
Street Lighting (Energy Investment)	-	310	310	-	310	-	310
Primary Care Trust Physical Activities	-	300	300	-	300	-	300
Sports Centre Contingency	300	-	300	-	300	-	300
Schools Service IT	-	204	204	90	294	-	294
Summer Term Reserve	-	280	280	-	280	-	280
Homeless Prevention	-	-	-	120	120	156	276
Seaside Town Strategy	-	-	-	200	200	-	200
Connexions Partnership Pension	-	1,380	1,380	3,310	4,690	(4,690)	-
Other Reserves	10,818	(1,711)	9,107	427	9,534	(3,386)	6,148
	66,755	13,733	80,488	13,361	93,848	(3,613)	90,237

Housing Benefit

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

Schools Balances

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

	£000
Schools Underspending	12,496
Schools overspending	<u>(763)</u>
Net Schools balances	<u>11,733</u>

Working Neighbourhood Fund

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

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.

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.

Schools Harmonisation

To fund the potential costs associated with implementing Phase 2 of the local pay review which relates to those employees 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.

Community Fund Community Asset Transfer

The Community Fund grant has been allocated by Wirral Partnership Homes and this is the balance of the grant to implement the Community Fund Asset Transfer. The funding is to be used by 31 March 2012.

Local Pay Review

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

IT / Intranet Development

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

One Stop Shop / Libraries IT Network

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

Supporting People Programme

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

Schools Capital Schemes

The reserve was set aside for the delivery and completion of capital schemes within schools.

Group Repair

This sum relates primarily to funding towards the 'Triangles Property Renovation Scheme'. Residents and landlords also contribute to the cost of the works, with the balance being utilised to support future renovation schemes.

Strategic Asset Review

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

Home Adaptations

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

Cosy Homes Insulation

To facilitate a programme of insulation in homes throughout Wirral.

Merseyside Information Service

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

Planned Preventative Maintenance Libraries

Fund held to complete a programme of planned preventative maintenance at a number of Wirral Libraries.

Matching Fund

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

Heritage Fund

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

Schools Automatic Meter Readers

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

Regeneration Schemes Fund

For the costs associated with any externally funded and grant supported schemes within regeneration that in the future, when completed, require additional funding.

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.

West Wirral Schemes

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

Local Area Agreement Reward

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

Property Maintenance Disabled Access

To fund a number of changes to Council buildings to improve access.

Energy Investment – Street Lighting

This sum relates to a policy option to pilot the implementation of an energy efficient Street Lighting Programme due to be implemented.

Sports Centre Contingency

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

Primary Care Trust – Physical Activities

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

Schools Service IT

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

Schools Summer Term

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

Homelessness Prevention

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

Seaside Town Development

The Area Forums have developed a programme of work that will occur in 2011/12 based on utilising a Government Grant, and will be funded from the reserve.

10. OTHER OPERATING EXPENDITURE

2009/10 £000		2010/11 £000
43,111	Levies	44,564
6	Payments to the Government Housing Capital Receipts Pool	17
35,325	Gains / losses on the disposal of non-current assets	10,979
78,442	Total	55,560

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £000		2010/11 £000
15,590	Interest payable and similar charges	14,489
24,888	Pensions interest cost and expected return on pensions assets	17,765
(4,055)	Interest receivable and similar income	(1,703)
169	Income and expenditure in relation to investment properties and changes in their fair value	(3,072)
(105)	Gains and losses on trading accounts	(72)
36,487	Total	27,407

12. TAXATION AND NON SPECIFIC GRANT INCOME

2009/10 £000		2010/11 £000
128,719	Council tax income	132,013
124,094	Non domestic rates	137,844
68,306	Non-ringfenced government grants	63,149
50,080	Capital grants and contributions	41,620
371,199	Total	374,626

13. PROPERTY, PLANT AND EQUIPMENT**Movements on Balances****Movements in 2010/11:**

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equip- ment £000	Infra- structure Assets £000	Comm- unity Assets £000	Surplus Assets £000	Assets Under Con- struction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2010	601,975	17,493	113,087	25,356	1,696	42,157	801,764
additions	24,814	1,108	9,508	634	480	7,214	43,758
revaluation increases/ (decreases) recognised in the Revaluation Reserve	(21,691)	-	-	-	378	-	(21,313)
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(30,168)	-	-	-	(945)	(3,526)	(34,639)
derecognition - disposals	(13,284)	(783)	-	-	(245)	-	(14,312)
assets reclassified (to)/from Held for Sale	(976)	-	-	-	-	40	(936)
other movements in cost or valuation	20,005	-	-	150	1,122	(19,602)	1,675
At 31 March 2011	580,675	17,818	122,595	26,140	2,486	26,283	775,997
Accumulated Depreciation and Impairment							
At April 2010	58,042	8,521	21,481	-	-	-	88,044
depreciation charge	14,645	2,167	2,571	-	63	-	19,446
depreciation written out to the Revaluation Reserve	(14,460)	-	-	-	-	-	(14,460)
impairment losses (/reversals) recognised in the Revaluation Reserve	-	-	-	-	(6)	-	(6)

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	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equip- ment £000	Infra- structure Assets £000	Comm- unity Assets £000	Surplus Assets £000	Assets Under Con- struction £000	Total Property, Plant and Equipment £000
impairment losses /(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
derecognition - disposals	(1,196)	(634)	-	-	(55)	-	(1,885)
derecognition - other	-	-	-	-	-	-	-
other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2011	57,031	10,054	24,052	-	2	-	91,139
Net Book Value							
at 31 March 2010	543,933	8,972	91,606	25,356	1,696	42,157	713,720
at 31 March 2011	523,644	7,764	98,543	26,140	2,484	26,283	684,858

Comparative Movements in 2009/10:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equip- ment £000	Infra- structure Assets £000	Comm- unity Assets £000	Surplus Assets £000	Assets Under Con- struction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2009	641,372	20,901	102,550	25,891	1,000	27,761	819,475
additions	8,299	1,703	10,537	748	532	21,699	43,518
revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,187				1,547		3,734
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,857)			(68)	(8,333)		(17,258)
derecognition - disposals	(41,967)	(5,212)		(1,276)	(2,201)		(50,656)
assets reclassified (to)/from Held for Sale							-
other movements in cost or valuation	941	101		61	9,151	(7,303)	2,951
At 31 March 2010	601,975	17,493	113,087	25,356	1,696	42,157	801,764
Accumulated Depreciation and Impairment							
At April 2009	48,884	10,255	19,056	-	-	-	78,195
depreciation charge	22,494	2,711	2,425	-	-	-	27,630
depreciation written out to the Revaluation Reserve	(6,537)						(6,537)
impairment losses /(reversals) recognised in the Revaluation Reserve	(1,214)						(1,214)
impairment losses /(reversals) recognised in the Surplus/Deficit on the Provision of Services							-
derecognition - disposals	(2,516)	(4,463)					(6,979)

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	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equip- ment £000	Infra- structure Assets £000	Comm- unity Assets £000	Surplus Assets £000	Assets Under Con- struction £000	Total Property, Plant and Equipment £000
derecognition - other							-
other movements in depreciation and impairment	(3,069)	18			(1)		(3,052)
At 31 March 2010	58,042	8,521	21,481	-	(1)	-	88,043
Net Book Value							
at 31 March 2009	592,488	10,646	83,494	25,891	1,000	27,761	741,280
at 31 March 2010	543,933	8,972	91,606	25,356	1,697	42,157	713,721

Depreciation

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

Other Land and Buildings - 20-50 years

Vehicles, Plant, Furniture & Equipment - 10% to 35% of carrying amount

Infrastructure – 10-120 years

Capital commitments

The major commitments at 31 March 2011 are:

	£000
Cathcart Street Primary	1,900
Pensby Park co-location	398
Challenge Fund New Housing	2,400

Similar commitments at 31 March 2010 were £64.2 million

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

	Other Land and Buildings £000	Surplus Assets £000	Total £000
Carried at historical cost			
valued at fair value as at:			
31 March 2011	66,417	1,175	67,592
31 March 2010	54,981	-	54,981
31 March 2009	125,711	800	126,511
31 March 2008	260,537	-	260,537
31 March 2007	57,753	-	57,753
Total Cost or Valuation	565,399	1,975	567,374

14. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2010/11 £000	2009/10 £000
Rental income from investment property	715	721
Direct operating expenses arising from investment property	(25)	(27)
Net gain	690	694

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

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

	2010/11 £000	2009/10 £000
Balance at start of the year	13,402	14,041
Additions:		
Net gains / losses from fair value adjustments	2,382	(863)
Transfers:		
To Property, Plant and Equipment	(1,679)	224
Balance at end of the year	14,105	13,402

15. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £329,000 charged to revenue in 2010/11 was charged to IT cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

Intangible Assets	2010/11	2009/10
	£000	£000
Balance at 1 April	1,131	1,124
Purchases	11	280
Amortisation for the year	(329)	(273)
Balance at 31 March	813	1,131

16. FINANCIAL INSTRUMENTS

GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments in 2010/11 consist of the following items:

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

This compares with the gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments in 2009/10:

	Financial Liabilities 2009/10	Financial Assets 2009/10		
	Liabilities Measured at amortised cost £000	Loans and Receivables £000	Available for sale assets £000	Total £000
Interest expense	(16,773)	-	-	
Impairment losses	-	131	-	
Interest payable and similar charges	(16,773)	131	-	(16,642)
Interest Income	-	3,443	231	
Gains on derecognition			381	
Interest and Investment Income	-	3,443	612	4,055
Gains on revaluation			55	
Deficit arising on revaluation of financial assets			55	
Net gain/ (loss) for the year	(16,773)	3,574	667	

FINANCIAL INSTRUMENTS BALANCES

The borrowings and investments disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities						
Carrying Amount at 31.03.2010 £000		Nominal Value £000	Accrued Coupon Interest £000	Stepped Interest Adjustment £000	Un-amortised Premium £000	Carrying Amount at 31.03.2011 £000
	Short term borrowing					
16,932	PWLB	14,500	727	-	-	15,227
2,404	Financial Institutions	-	2,455	-	-	2,455
36	Other public bodies	33	-	-	-	33
19,372		14,533	3,182	-	-	17,715
	Long term borrowing					
89,954	PWLB	85,779	-	-	(522)	85,257
170,942	Financial Institutions	173,600	-	3,796	(6,417)	170,979
212	Other public bodies	180	-	-	-	180
261,108		259,559	-	3,796	(6,939)	256,416
280,480	TOTAL	274,092	3,182	3,796	(6,939)	274,131

In accordance with the 2011 Code, the carrying amounts for financial liabilities at 31 March 2011 are shown at amortised cost. The table above provides an analysis of the components which make up the amortised cost.

Financial Assets					
Carrying Amount at 31.03.2010 £000		Nominal Value £000	Accrued Coupon Interest £000	Impairment £000	Carrying Amount at 31.03.2011 £000
	Loans and Receivables				
34,558	Cash and cash equivalents	58,372			58,372
68,711	Current Assets - Investments	60,133	494		60,627
2,599	Long term - Investments	4,011	316	(532)	3,795
105,868		122,516	810	(532)	122,794
	Available for sale financial assets				
	Current Assets - Investments				1,976
8,474	Long term - Investments				7,500
8,474					9,476
114,342	TOTAL				132,270

In accordance with the 2011 Code, the carrying amounts at 31 March 2011 for financial assets classified as loans and receivables, are shown at amortised cost and available for sale, and shown at fair value. Under IFRS short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value are classified as cash equivalents and have been excluded from the table above. The balances of cash and cash equivalents are analysed within a separate disclosure note.

FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The Council's financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The 2010 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 an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2011 consisted of loans from the Public Works Loan Board (PWLB), market loans from banks and loans from other public bodies.

The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on 31 March 2011.

For the Council's market and other public bodies loans the lenders were requested to provide details of the Fair Values on each loan. Three banks responded to this request and provided details based on the estimated breakage costs of the loans. In the absence of Fair Values being provided by the remaining lenders, the Council has assessed Fair Value using the equivalent PWLB interest rates ruling on 31 March 2011.

Carrying Amount at 31.03.2010 £000	Fair value as at 31.03.2010 £000		Carrying Amount at 31.03.2011 £000	Fair value as at 31.03.2011 £000
		Financial Liabilities:		
		<u>Borrowings</u>		
106,886	119,072	PWLB	100,484	110,857
173,346	242,651	Financial institutions	173,434	234,670
248	248	Other public bodies	213	213
280,480	361,971	Total Financial Liabilities	274,131	345,740

The fair value is greater than the carrying value because the Council's 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.

In the case of the Council's investments, these consisted of term deposits, money market funds, a European Investment Bank (EIB) bond and a Gilt. 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. The money market funds, EIB bond and Gilt are already shown in the Balance Sheet at fair value based on their quoted market price.

Carrying Amount at 31.03.2010 £000	Fair value as at 31.03.2010 £000		Carrying Amount at 31.03.2011 £000	Fair value as at 31.03.2011 £000
		Financial Assets:		
34,558	34,558	Cash and cash Equivalents	58,372	58,372
71,310	71,310	Loans and Receivables	64,422	64,422
8,474	8,474	Available for sale financial assets	9,476	9,476
114,342	114,342	Total Financial Assets	132,270	132,270

The nature and extent of risks arising from financial instruments are set out in Note 47.

17 DEBTORS

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Central government bodies	12,978	26,682	28,512
Other local authorities	4,396	5,793	2,550
NHS bodies	500	70	506
Collection Fund	4,988	5,255	14,297
Public corporations and trading funds	11	-	3,630
Other entities and individuals	32,940	28,353	20,495
Total	55,813	66,153	69,990

18 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2011 £000	31 March 2010 £000
Cash held by the Authority	(3,694)	7,923
Bank current accounts	11,716	20,635
Short-term deposits with building societies	50,350	6,000
Total Cash and Cash Equivalents	58,372	34,558

19 ASSETS HELD FOR SALE

	Current	
	2010/11 £000	2009/10 £000
Balance outstanding at start of year	2,099	1,933
Assets newly classified as held for sale	1,077	1,245
Revaluation gains	45	286
Impairment losses	(24)	(3)
Assets declassified as held for sale:	(70)	-
Disposals	(170)	(1,362)
Balance outstanding at year-end	2,957	2,099

20. CREDITORS

	31 March 2011 £000	31 March 2010 £000	31 March 2010 £000
Central government bodies	11,846	14,176	12,573
Other local authorities	7,059	463	1,970
NHS bodies	300	33	801
Public corporations and trading funds	90	63	1,217
Other entities and individuals	41,895	51,218	49,174
Total	61,190	65,953	65,735

21. PROVISIONS

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

Bad Debts

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

	Balance at 1 April 2010 £000	Movement in 2010/11 £000	Balance at 31 March 2011 £000
Council Tax	6,693	(309)	6,384
Housing Benefit	5,488	621	6,109
Sundry Debtors	4,676	1,813	6,489
Summons Costs	676	(84)	592
	17,533	2,041	19,574

Others

The provisions figure shown in the Balance Sheet comprises:-

	Balance at 1 April 2010 £000	Movement in 2010/11 £000	Balance at 31 March 2011 £000
Short Term			
EVR/Severance	-	8,748	8,748
Working Neighbourhood	-	4,096	4,096
Insurance Fund	1,000	200	1,200
Community Fund Asset Transfer	-	690	690
Land Charges	-	569	569
Planned Preventative Maintenance Provision	-	254	254
Energy Conservation	-	230	230
Other	1,109	(165)	944
	2,109	14,622	16,731
Long Term			
Insurance Fund	3,282	1,248	4,530
Housing Benefit	3,153	(200)	2,953
Working Neighbourhood	-	487	487
Other	503	110	613
	6,938	1,645	8,583

Early Voluntary Retirement/Voluntary Severance Scheme

In autumn 2010 the Early Voluntary Retirement / Voluntary Severance Scheme commenced which will result in over 1,100 individuals leaving the Council by July 2011. With this process having been largely completed, and the dates for the individuals agreed, the Council are required to identify funding for this in the 2010/11 accounts.

The severance costs to be incurred in 2011/12 of £8.7 million are required to be included in the 2010/11 accounts and a provision has been established to cover these payments.

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.

Working Neighbourhood Fund

There are a number of contractual commitments to schemes that the Working Neighbourhoods Fund supports. The provision contains the sums identified for the delivery of schemes to reduce worklessness, increase apprenticeships and award grants and amount to £4.583 million (£4.096 million as a short term debtor, £0.487 million as a long term debtor).

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.

There are a number of remaining outstanding claims issues requiring final settlement with the DWP. Changes in the interpretation of legislation and subsidy arrangements may 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.

Community Fund Community Asset Transfer

The Community Fund grant has been allocated by Wirral Partnership Homes. The transfers of Moreton Community Centre, Heswall Hall and Victoria Hall are all committed to take place and this is for those costs that the Council is now due to pay.

Land Charges

Provision for claims for searches carried out in previous years.

Planned Preventative Maintenance Provision

Provision for works at play areas, golf courses, footpaths and sports centres.

Energy Conservation

The acquisition of an automated metering system was committed in 2010/11 and this covers the funding of this purchase.

Other Provisions

All other provisions are individually insignificant.

22. USABLE RESERVES

Usable Reserve	Balance at 1 April 2010 £000	Movement £000	Balance 31 March 2011 £000	Purpose of Reserve £000
General Fund	13,758	1,306	15,064	Resources available to meet future running costs for services.
Earmarked General Fund Reserves	93,847	(3,610)	90,237	See note 9 for further details.
Capital Receipts Reserve	9,047	(775)	8,272	Contains the proceeds of fixed asset sales that are available to meet future capital investment.
Capital Grants unapplied	29,257	1,587	30,844	Government Grants and contributions received in year for projects.
Total	145,909	(1,492)	144,417	

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.

23. UNUSABLE RESERVES

31 March 2010 £000		31 March 2011 £000
151,296	Revaluation Reserve	138,192
475	Available for Sale Financial Instruments Reserve	476
262,544	Capital Adjustment Account	255,406
(4,124)	Financial Instruments Adjustment Account	(3,794)
(423,871)	Pensions Reserve	(334,820)
61	Collection Fund Adjustment Account	876
(4,429)	Accumulated Absences Account	(5,178)
(18,048)	Total Unusable Reserves	51,158

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10		2010/11	
£000		£000	£000
143,715	Balance at 1 April		151,296
24,230	Upward revaluation of assets	6,075	
(7,281)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of services	(12,845)	
16,949	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(6,770)
(5,583)	Difference between fair value depreciation and historical cost depreciation	(4,715)	
(2,997)	Accumulated gains on assets sold or scrapped	(1,619)	
(788)	Amounts written off to the Capital Adjustment Account resulting from IFRS restatement	-	
(9,368)	Total amount written off to the capital Adjustment Account		(6,334)
151,296	Balance at 31 March		138,192

Available for Sale Financial Instruments Reserve

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

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

Capital Adjustment Account

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

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

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

2009/10		2010/11	
£000		£000	£000
297,360	Balance at 1 April		262,544
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(47,259)	Charges for depreciation and impairment of non-current assets	(54,147)	
12,702	Revaluation losses on Property, Plant and Equipment	4,759	
(274)	Amortisation of intangible assets	(329)	
(1,958)	Revenue expenditure funded from capital under statute	(4,169)	
(43,814)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(10,979)	
(80,603)			(64,865)
	Capital financing applied in the year:		
4,000	Use of the Capital Receipts Reserve to finance new capital expenditure	3,000	
30,517	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	34,159	
11,509	Statutory provision for the financing of capital investment charged against the General Fund	17,994	
624	Capital expenditure charged against the General Fund and NRA balances	192	
46,650			55,345
(863)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		2,382
262,544	Balance at 31 March		255,406

Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The balance in the Financial Instrument Adjustment Account at the end of the year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years.

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

31 March 2010 £000		31 March 2011 £000
(4,257)	Balance at 1 April	(4,124)
(75)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	34
208	Adjustment to the estimated impairment of Heritable Bank Investment	-
-	Expiry of Statutory Provision to allow the impairment of Heritable Bank investment to be deferred.	296
(4,124)	Balance at 31 March	(3,794)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000		2010/11 £000
(297,278)	Balance at 1 April	(423,871)
(114,760)	Actuarial gains or losses on pensions assets and liabilities	46,101
(42,635)	Reversal of items relating to retirement benefits debited or credited to the surplus or Deficit on the Provision of Services in the comprehensive Income and Expenditure Statement	11,765
30,802	Employer's pensions contributions and direct payments to pensioners payable in the year	31,185
(423,871)	Balance at 31 March	(334,820)

Collection Fund Adjustment Account

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

2009/10 £000		2010/11 £000
(337)	Balance at 1 April	61
398	Amount by which council tax income credited to the comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	815
61	Balance at 31 March	876

Accumulated Absences Account

+

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10		2010/11	
£000		£000	£000
(5,236)	Balance at 1 April		(4,429)
1,092	Settlement or cancellation of accrual made at the end of the preceding year	-	
(285)	Amounts accrued at the end of the current year	(749)	
807	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(749)
(4,429)	Balance at 31 March		(5,178)

24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2009/10		2010/11	
£000		£000	
(10,036)	Interest received	(7,519)	
22,550	Interest paid	19,955	

25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2009/10		2010/11	
£000		£000	
40,843	Purchase of property, plant and equipment, investment property and intangible assets	45,875	
141,950	Purchase of short-term and long-term investments	103,000	
	Other payments for investing activities		
(3,575)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,226)	
(119,850)	Proceeds from short-term and long-term investments	(108,200)	
(51,438)	Other receipts from investing activities	(37,836)	
7,930	Net cash flows from investing activities		614

26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2009/10 £000		2010/11 £000
(10,000)	Cash receipts of short- and long-term borrowing	(10,000)
(564)	Other receipts from financing activities	(1,367)
2,187	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,211
25,836	Repayments of short- and long-term borrowing	16,280
-	- Other payments for financing activities	-
17,459	Net cash flows from financing activities	8,124

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

2009/10

Departmental Income and Expenditure 2009/10	Adult Social Services £000	Children and Young People £000	Corporate Services £000	Finance £000	Law, HR and Asset Management £000	Technical Services £000	Merseytravel £000	Total £000
Fees, charges and other service income	(57,188)	(84,614)	(8,126)	(43,324)	(16,181)	(41,903)	-	(251,336)
Government grants	(3,143)	(253,834)	(24,153)	(153,596)	(636)	(19)	-	(435,381)
Total Income	(60,331)	(338,448)	(32,279)	(196,920)	(16,817)	(41,922)	-	(686,717)
Employee expenses	38,324	246,682	8,508	33,082	13,534	27,306	-	367,435
Other service expenses	91,735	139,705	38,529	154,781	12,607	71,423	0	508,779
Support service recharges	18,314	31,104	6,434	12,129	10,458	12,803	26,305	117,546
Total Expenditure	148,372	417,490	53,470	199,992	36,599	111,532	26,305	993,760
Net Expenditure	88,041	79,042	21,191	3,072	19,782	69,610	26,305	307,043

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

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

	2009/10 £000
Net expenditure in the Departmental Analysis	307,043
Net expenditure of services and support services not included in the Analysis	
Amounts in the comprehensive Income and Expenditure Statement not reported to management in the Analysis	14,486
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	21,187
Cost of Services in Comprehensive Income and Expenditure Statement	271,370

2009/10	[Direct- orate] Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to manage- ment for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(251,336)	-	-	4,055	-	(247,281)	-	(247,281)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	(4,055)	(4,055)
Income from council tax	-	-	-	-	-	-	(128,719)	(128,719)
Government grants and contributions	(435,381)	-	(624)	5,472	-	(430,533)	(242,480)	(673,013)
Total Income	(686,717)	-	(624)	9,527	-	(677,814)	(375,254)	(1,053,068)
								-
Employee expenses	367,435		(13,862)	807	-	354,380	24,888	379,268
Other service expenses	508,779		-	(65,288)	-	443,491	64	443,555
Support Service recharges	117,546	-	-	-	-	117,546	-	117,546
Depreciation, amortisation and impairment	-	-		49,491	-	49,491	-	49,491
Interest Payments	-	-	-	(15,724)	-	(15,724)	15,590	(134)
Precepts & Levies	-	-	-	-	-	-	43,111	43,111
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	6	6
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	35,325	35,325
Total expenditure	993,760	-	(13,862)	(30,714)	-	949,184	118,984	1,068,168
Surplus or (deficit) on the provision of services	307,043	-	(14,486)	(21,187)	-	271,370	(256,270)	15,100

2010/11

Departmental Income and Expenditure 2010/11	Adult Social Services £000	Children and Young People £000	Corporate Services £000	Finance £000	Law, HR and Asset Management £000	Technical Services £000	Merseytravel £000	Total £000
Fees, charges and other service income	(61,317)	(85,663)	(11,731)	(46,317)	(31,997)	(37,307)	-	(274,332)
Government grants	(2,658)	(255,248)	(8,753)	(160,543)	(142)	(92)	-	(427,436)
Total Income	(63,975)	(340,911)	(20,484)	(206,859)	(32,139)	(37,399)		(701,768)
Employee expenses	40,420	254,958	8,988	35,224	15,031	29,376	-	383,997
Other service expenses	106,628	157,584	36,573	142,750	22,448	57,615	27,344	550,942
Support service recharges	17,130	36,242	6,716	15,073	10,084	19,218	-	104,463
Total Expenditure	164,178	448,784	52,277	193,047	47,563	106,209	27,344	1,039,402
Net Expenditure	100,203	107,873	31,793	(13,813)	15,424	68,810	27,344	337,634

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

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

	2010/11 £000
Net expenditure in the Departmental Analysis	337,634
Net expenditure of services and support services not included in the Analysis	
Amounts in the comprehensive Income and Expenditure Statement not reported to management in the Analysis	(60,175)
Amounts included in the Analysis not included in the comprehensive Income and Expenditure Statement	(18,225)
Cost of Services in Comprehensive Income and Expenditure Statement	259,234

2010/11	Departmental Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(274,332)	-	-	1,703	-	(272,629)	-	(272,629)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	12,918	12,918
Income from council tax	-	-	-	-	-	-	(132,013)	(132,013)
Government grants and contributions	(427,436)	-	-	1,468	-	(425,968)	(242,613)	(668,581)
Total Income	(701,768)	-	-	3,171	-	(698,597)	(361,708)	(1,060,305)
								-
Employee expenses	383,997		(60,175)	-	-	323,822	-	323,822
Other service expenses	550,942		-	(21,396)	-	529,546	-	529,546
Support Service recharges	104,463	-	-	-	-	104,463	-	104,463
Depreciation, amortisation and impairment	-	-		-	-	-	-	-
Interest Payments	-	-	-	-	-	-	14,489	14,489
Precepts & Levies	-	-	-	-	-	-	44,564	44,564
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	17	17
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	10,371	10,979
Total expenditure	1,039,402	-	(60,175)	(21,396)	-	957,831	70,049	1,027,880
Surplus or (deficit) on the provision of services	337,634	-	(60,175)	(18,225)	-	259,234	(291,659)	(32,425)

28. TRADING OPERATIONS

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

		2008/09		2009/10		2010/11	
		£000	£000	£000	£000	£000	£000
(1) Highways Services The Highways Services Operation ended in 2008-09. These services from 1 April 2009 have been provided by an external contractor, Colas.	Turnover	7,054		-		-	
	Expenditure	7,511		-		-	
	Surplus/(Deficit)		(457)		-		-
(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.	Turnover	411		468		471	
	Expenditure	409		456		471	
	Surplus/(Deficit)		2		12		-
(3) Building Cleaning The Council manages a Building Cleaning operation on the basis of an agreement between the service provider and other departments.	Turnover	921		1,071		1,048	
	Expenditure	870		978		976	
	Surplus/(Deficit)		51		93		72
(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 and other bodies.	Turnover	5,737		1,619		1,645	
	Expenditure	5,687		1,619		1,645	
	Surplus/(Deficit)		50		-		-

There were no internal recharges in 2010/11 which accounts for the reduction in expenditure and income.

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

Wirral Council's contribution for 2010/11 is £520,000 (2009/10 £520,000) out of total expenditure of £2.043 million.

30. COMMUNITY FUND

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

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

During 2010/11 the Fund received £2 million of income from savings relating to the refurbishment programme VAT arrangements, from the sale of former HRA assets and from interest earned on the Fund balances.

Expenditure of £8.6 million was incurred by the Fund in the year. This included payments of £8.1 million to Wirral Council comprising of £4.5 million for the Community Asset Transfer Programme, £2.6 million to support Investment and Regeneration Programmes and £1 million for the support of Housing initiatives.

Community Fund Statement	£000	£000
Balance at 1 April 2010		19,504
Movement 2010/11		
Income		
- Contributions arising from VAT savings	1,766	
- Property Sale	189	
- Interest received	81	2,036
Expenditure		
Grant Payments to Wirral Council	(8,061)	
Overton Community trust	(13)	
Your Wirral Grant Scheme	(526)	(8,600)
Balance at 31 March 2011		12,940

After allowing for potential warranty liabilities, at 31 March 2011 the Fund held £10.4 million for distribution. The large majority is for use on schemes administered by Wirral Partnership Homes. Wirral Council has also received approval for additional schemes financed from the Fund which will be expended during 2011/12.

31. MEMBERS' ALLOWANCES

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

	2010/11	2009/10
	£000	£000
Salaries	11	12
Allowances	774	782
Expenses	22	20
Total	807	814

32. OFFICERS' REMUNERATION

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

	Salary	Allowances	Compensation for loss of Office	Pension Contributions	Total inc Pension Contributions
	£	£	£	£	£
Financial Year 2010-11					
Interim Chief Executive	123,334	726	-	21,706	145,766
Chief Executive (retired)	67,670	-	157,537	11,910	237,117
Director of Technical Services	112,848	2,556	-	19,861	135,265
Director of Finance	112,848	1,823	-	19,861	134,532
Interim Director of Adult Social Services	112,848	1,424	-	19,861	134,133
Director of Adult Social Services (retired)	64,182	929	152,339	11,296	228,746
Director Law, HR and Asset Management	107,205	297	-	18,868	126,370
	700,935	7,755	309,876	123,363	1,141,929
Financial Year 2009-10					
Chief Executive	135,384	390	-	23,414	159,188
Deputy Chief Executive & Director of Corporate Services	121,850	1,170	-	21,073	144,093
Director of Technical Services	112,520	2,340	-	19,523	134,383
Director of Finance	112,848	2,094	-	19,523	134,465
Director of Adult Social Services	107,250	1,170	-	18,546	126,966
Director of Regeneration	112,892	2,119	-	19,523	134,534
Director of Law, HR and Asset Management	104,428	-	-	18,058	122,486
Director of Childrens Services	112,892	1,798	-	19,523	134,213
	920,064	11,081	-	159,183	1,090,328

The Director of Regeneration retired in March 2010. During 2010/11 services of the former Regeneration Department have been re-allocated to other directorates.

The Deputy Chief Executive and Director of Corporate Services was formally appointed Chief Executive in April 2011, but at 31 March held the post of Interim Chief Executive.

The former Director of Children's Services has taken over responsibility for Adult Social Services as an Interim Director. Children's Services is currently headed by an Interim Director, but their total salary for the year is below £100,000.

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

Remuneration band	2010/11 Number of Employees			2009/10 Number of Employees		
	General	Teaching	Total	General	Teaching	Total
£50,000 - £54,999	47	107	154	21	105	126
£55,000 - £59,999	38	77	115	10	76	86
£60,000 - £64,999	35	37	72	4	34	38
£65,000 - £69,999	20	22	42	3	18	21
£70,000 - £74,999	29	10	39	17	2	19
£75,000 - £79,999	9	5	14	1	6	7
£80,000 - £84,999	6	4	10	2	4	6
£85,000 - £89,999	2	3	5	0	6	6
£90,000 - £94,999	2	8	10	0	5	5
£95,000 - £99,999	3	4	7	0	2	2
£100,000 - £104,999	1	1	2	2	2	4
£105,000 - £109,999	2	6	8	1	0	1
£110,000 - £114,999	2	0	2	3	0	3
£115,000 - £119,999	3	1	4	1	1	2
£120,000 - £124,999	1	1	2	1	0	1
£125,000 - £129,999	1	0	1	0	0	0
£130,000 +	0	0	0	1	0	1
	201	286	487	67	261	328

The overall increase can be attributed to the number of employees that accepted an offer of early voluntary retirement or severance made to the general workforce during the year.

33. EXTERNAL AUDIT COSTS

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

	2010/11 £000	2009/10 £000
Fees payable to The Audit Commission with regard to external audit services carried out by the appointed auditor	357	390
Fees payable to The Audit Commission in respect of statutory inspection	-	17
Fees payable to The Audit Commission for the certification of grant claims and returns	128	128
Fees payable in respect of other services provided by the appointed auditor	22	15
Total	507	550

The fees for other services payable in both 2009/10 and 2010/11 related to work undertaken for the Council by the Audit Commission relating to the Public Interest Disclosure Act, Highways and Engineering Services Procurement Exercise and the National Fraud Initiative.

34. DEDICATED SCHOOLS GRANT

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

Details of the deployment of DSG receivable are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2009-10			188,116
Brought forward from 2008-09			419
Carry forward to 2010-11 agreed in advance			(399)
Agreed budgeted distribution 2009-10	19,754	168,382	188,136
less: Actual central expenditure	(19,190)		(19,190)
less: Actual ISB deployed to schools		(168,382)	(168,382)
Authority contribution for 2009-10	537		537
Carry forward to 2010-11 agreed in advance			399
Total carried forward to 2010-11	1,101	-	1,500

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

35. GRANT INCOME

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £000	2009/10 £000
Credited to Taxation and Non Specific Grant Income:		
National Non Domestic Rates	137,844	124,094
Area Based Grant	37,662	31,976
Revenue Support Grant	20,016	28,643
Local Area Agreement Reward Grant	-	1,983
Local Authority Business Growth Incentive Grant	-	233
Capital Grants :	-	-
Standards Fund	25,600	31,027
Housing Market Renewal Initiative	3,090	5,099
Transport Supplementary Grant	2,366	3,254
Regional Housing Pot	2,355	3,273
Homes and Communities Agency Capital Grant	2,066	-
Childres Centres	1,709	462
Growth Point	1,567	-
Other Capital Grants (less than 200k)	1,509	1,097
North West Development Agency	728	1,917
Social Care Single Capital Pot - Extra Care	237	1,465
Waste Infrastructure	202	549
Environment Agency	190	1,157
Safer Stronger Communities Fund	-	207
National Lottery Fund	-	573
Total Capital Grants	41,619	50,080
Total Credited to Taxation and Non Specific Grant Income	237,141	237,009
Credited to Services:		
Dedicated Schools Grant	192,389	188,116
Housing Benefits	159,880	153,068
Standards Fund	26,043	23,883
6th Form	22,302	21,508
Sure Start	10,811	9,811
School Standards Grant	7,924	7,773
Other Young People's Learning Agency	7,292	-
16-19 Further Education Young People's Learning Agency	6,800	-
Schools Private Finance Initiative	5,472	5,472
School Standards Grant - Personalisation	2,738	-
Adults Social Care Reform	1,873	1,520
Aiming High for Disabled Children	1,640	521
Youth Justice Board	1,009	1,006
Think Family	649	13
Other	865	1,381
Rates Relief	359	374
Youth Opportunity	318	212
Winter Maintenance	297	-
Total Credited to Services	448,661	414,658

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

	31 March 2011 £000	31 March 2010 £000
Grants Receipts in Advance		
Local Area Agreement Reward Grant	1,811	1,876
West Kirby Marine Lake	300	-
Mulberry Properties	275	275
Atherton Street	225	-
Other	117	202
Total Grant Receipts in Advance	2,728	2,353

36. RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 35 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are detailed in the same note.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2010/11 is shown in note 31. Members of the Council are also Board Members of Wirral Partnership Homes (WPH) as well as Beechwood and Ballantyne Community Housing Association. Members have declared interests, where required, in items associated with these organisations. During the year the Council made payments of £3.3 million and £0.1 million respectively to these organisations. In addition as part of the development agreement WPH paid £8.1 million to the Council in respect of the Community Fund in support of community asset transfers and investment to support regeneration and housing.

A number of Members hold positions on the governing body of various voluntary organisations to which the Council gave grants of £0.8 million.

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

Officers

No material declarations of interest were made in the year.

Other Public Bodies

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

	Membership	Precept/Levy £000
Merseyside Police Authority	3	15,308
Merseyside Fire and Rescue Service	4	6,781
Merseyside Waste Disposal Authority	3	17,044
Merseyside Port Health	6	128
Merseytravel	1	27,344

The Council has a pooled budget arrangement with Wirral Primary Care Trust for the provision of integrated community equipment services. Further details are contained in note 29.

The Council acts as the administering authority to Merseyside Pension Fund and charged the Fund £4.876 million (2009/10 £3.838 million) for administration and investment management costs.

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Summary of Capital Expenditure and Financing	2009/10	2010/11
	£000	£000
Capital Investment		
Property, Plant & Equipment	43,254	43,344
Intangible Assets	280	11
Asset Held for Sale	0	31
Revenue Expenditure Funded from Capital under Statute	20,319	14,840
Long Term Debtors	553	769
	64,406	58,995
Sources of Finance		
Borrowing supported by Government financial assistance	(7,347)	(6,375)
Borrowing unsupported by Government financial assistance	(3,821)	(5,300)
Capital Receipts	(4,000)	(3,000)
Government Grants and Other Contributions	(47,745)	(43,877)
Revenue Provision	(1,493)	(443)
	(64,406)	(58,995)

38. LEASES**Council as Lessee****Finance Leases**

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

	31 March 2011 £000	31 March 2010 £000
Vehicles, Plant, and Equipment	4,169	5,493
	4,169	5,493

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

	31 March 2011 £000	31 March 2010 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	1,028	1,097
• non-current	2,045	2,804
Finance costs payable in future years	475	697
Minimum lease payments	3,548	4,598

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Not later than one year	1,231	1,351	1,028	1,097
Later than one year and not later than five years	2,307	3,247	2,002	2,804
Later than five years	10	-	43	-
	3,548	4,598	3,073	3,901

Council as Lessor

Operating Leases

The Council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March 2011 £000	31 March 2010 £000
Not later than one year	600	747
Later than one year and not later than five years	812	1,322
Later than five years	17	66
	1,429	2,135

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

39. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

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

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

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

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

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

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

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

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

Bebington High, Hilbre High, Park High, South Wirral High, Weatherhead High, and Wirral Grammar schools have opted for Foundation status and as such the corresponding assets are no longer reflected in the balance sheet.

Valuation information for PFI assets recognised in the Balance Sheet:

	Leasowe Primary £000	Park High £000	Prenton High £000	Wallasey High £000	Total £000
Movement in 2010/11					
Valuation					
Valuation at 1 April 2010	2,998	11,852	4,921	9,915	29,686
Disposals	-	(11,852)	-	-	(11,852)
Accumulative Depreciation at 1 April 2010	(168)	(664)	(275)	(556)	(1,663)
Depreciation 2010/11	(76)	(224)	(125)	(250)	(675)
Adjustment for disposal	-	888	-	-	888
Accumulative Depreciation at 31 March 2011	(244)	-	(400)	(806)	(1,450)
Net Book Value					
at 31 March 2011	2,754	-	4,521	9,109	16,384
at 31 March 2010	2,830	11,188	4,646	9,359	28,023
Comparative Movement in 2009-10					
Valuation at 1 April 2009	2,998	11,852	4,921	9,915	29,686
Accumulative Depreciation at 1 April 2009	(101)	(398)	(165)	(334)	(998)
Depreciation 2009/10	(67)	(266)	(110)	(222)	(665)
Accumulative Depreciation at 31 March 2010	(168)	(664)	(275)	(556)	(1,663)

Payments

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

	Services £000	Lease Liability £000	Interest £000	Life cycle costs £000	Total £000
Payable in 2011/12	3,131	2,081	2,114	570	7,896
Payable within 2 - 5 years	12,040	9,043	7,732	2,766	31,581
Payable within 6 - 10 years	14,442	13,610	7,704	3,720	39,476
Payable within 11 - 15 years	14,637	15,593	5,241	4,006	39,477
Payable within 16 - 20 years	14,833	20,947	2,132	1,564	39,476
Payable within 21 - 25 years	1,038	378	6	75	1,497
Total	60,121	61,652	24,929	12,701	159,403

The unitary payment in 2010/11 is £9,765,000 allocated as follows

	2010/11 £000	2009/10 £000
Service costs	3,921	3,806
Interest and similar charges	3,165	4,455
Lease liability	1,969	640
Life cycle costs	710	658
	9,765	9,559

The value of the outstanding lease liability is:

	2010/11 £000	2009/10 £000
Balance outstanding at start of year	68,786	69,426
Lease payments during the year	(1,969)	(640)
Other movements	(5,165)	-
	61,652	68,786

In calculating the future unitary payments to the end of the contract from 2011/12 onward the most up to date information available has been used. This gives a more accurate estimate of the total outstanding liability. However, substituting this information revises downward the original calculation of the liability at 31 March 2011 by £5.2 million. The annual unitary payment is increased by the Retail Price Index (RPI) less 10%. Going forward, the RPI has been estimated using figures provided by the Office of Budget Responsibility whereas previous calculations have relied on figures extracted from the operator's financial model.

40. TERMINATION BENEFITS

The Council in October 2010 offered all employees the opportunity to apply to leave through voluntary severance and/or early voluntary retirement. Over 1,100 individuals will have left the Council between December 2010 and July 2011. The Council in 2010/11 incurred £23.4 million of termination benefits (£2.5 million in 2009/10). This

includes a provision of £ 8.8 million that has been established to future benefits due to be paid in 2011/12.

Of this total £157,537 was payable to the Chief Executive, and £152,339 to the Director of Adult Social Services in the form of compensation for loss of office, as disclosed in note 32.

41. LONG TERM DEBTORS

	Repayment of former M.C.C. Debt £000	Regeneration Property Loans £000	Repayment of Council Mortgages £000	Total £000
Balance 1.4.2009	71,498	333	154	71,985
Advances		553		553
Repaid/ reclassified £000	(4,469)		(51)	(4,520)
Balances 31.3.2010	67,029	886	103	68,018
Balance 1.4.2010	67,029	886	103	68,018
Advances		769		769
Repaid/ reclassified	(4,469)		(22)	(4,491)
Balances 31.3.2011	62,560	1,655	81	64,296

42. DEFERRED CREDITS

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

	2009/10 £000	2010/11 £000
Receipts for Sale of Former Council Houses	268	-
Outstanding mortgages	103	81
	371	81

43. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the Council paid £14.1 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £13.9 million and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 44.

In 2010/11 the Council paid £3.1 million by way of enhanced pensions, with an equivalent figure in 2009/10.

44. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Wirral Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Unfunded Teachers Scheme	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Comprehensive Income and Expenditure Statement						
<i>Cost of Services:</i>						
• current service cost	25,737	16,162	-	-	-	-
• past service Costs	(56,725)	25	(2,099)	-	(2,025)	-
• settlements and curtailments	4,618	1,145	-	-	964	415
<i>Financing and Investment Income and Expenditure</i>						
• interest cost	55,705	50,638	2,336	2,467	1,896	2,093
• expected return on scheme assets	(42,172)	(30,310)	-	-	-	-
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	(12,837)	37,660	237	2,467	835	2,508

(Table continues on following page)

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	Local Government Pension Scheme		Discretionary Benefits Arrangements		Unfunded Teachers Scheme	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>						
• actuarial gains and losses	(44,580)	102,033	(2,489)	7,153	968	5,574
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	(57,417)	139,693	(2,252)	9,620	1,803	8,082
<i>Movement in Reserves Statement</i>						
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	12,837	(37,660)	(237)	(2,467)	(835)	(2,508)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>						
• employers' contributions payable to scheme	25,117	25,390			3,094	3,082
• retirement benefits payable to pensioners			2,701	2,603		

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 a gain of £46,101,000.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits		Unfunded Teachers Scheme	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Opening balance at 1 April	997,404	715,668	43,061	36,044	36,022	31,022
Current service cost	25,737	16,162	-	-		
Interest cost	55,705	50,638	2,336	2,467	1,896	2,093
Contributions by scheme participants	9,293	9,282	-	-		
Actuarial gains and losses	(49,851)	234,834	(2,489)	7,153	968	5,574
Benefits paid	(40,368)	(30,350)	(2,701)	(2,603)	(3,094)	(3,082)
Past service costs/ (gain)	(56,725)	25	(2,099)	-	(2,025)	
Entity combinations	-	-	-	-	-	-
Curtailments	4,618	1,145	-	-	964	415
Settlements	-	-	-	-	-	-
Closing balance at 31 March	945,813	997,404	38,108	43,061	34,731	36,022

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

	Local Government Pension Scheme		Unfunded liabilities Discretionary Benefits	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Opening balance at 1 April	652,616	485,456	-	-
Expected rate of return	42,172	30,310	-	-
Actuarial gains and losses	(5,271)	132,801	-	-
Employer contributions	25,390	27,720	2,701	2,603
Contributions by scheme participants	9,293	9,282	-	-
Benefits paid	(40,368)	(32,953)	(2,701)	(2,603)
Entity combinations	-	-	-	-
Settlements	-	-	-	-
Closing balance at 31 March	683,832	652,616	-	-

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

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

The actual return on scheme assets in the year was £52,371,000 (2009/10: £163,111,000).

Scheme History	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities:					
Local Government Pension Scheme	738,622	838,119	715,668	997,404	945,813
Discretionary Benefits	30,594	42,228	36,044	43,061	38,108
Teachers pension scheme	33,043	36,254	31,022	36,022	34,731
	802,259	916,601	782,734	1,076,487	1,018,652
Fair value of assets:					
Local Government Pension Scheme	579,891	582,775	485,456	652,616	683,832
Surplus/(deficit):					
Local Government Pension Scheme	(158,731)	(255,344)	(230,212)	(344,788)	(261,981)
Discretionary Benefits	(30,594)	(42,228)	(36,044)	(43,061)	(38,108)
Teachers pension scheme	(33,043)	(36,254)	(31,022)	(36,022)	(34,731)
Total	(222,368)	(333,826)	(297,278)	(423,871)	(334,820)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £334,820,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £196.9 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £24.0 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £2.7 million. Expected contributions to unfunded teachers pensions in the year to 31 March 2012 are £3.1 million.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by William

M. Mercer, an independent firm of actuaries, estimates for the Merseyside Pension Fund being based on the latest full valuation of the scheme as at 1 April 2009.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.5%
Government Bonds	4.4%	4.5%
Other Bonds	5.1%	5.2%
Property	6.5%	6.5%
Cash / Liquidity	0.5%	0.5%
Other	7.5%	7.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	21.4	20.4
• Women	24.1	23.2
Longevity at 65 for future pensioners:		
• Men	22.8	21.3
• Women	25.7	24.1
Rate of RPI inflation	3.4%	3.3%
Rate of CPI inflation	2.9%	2.8%
Rate of increase in salaries	4.4%	4.5%
Rate of increase in pensions	2.9%	3.3%
Rate for discounting scheme liabilities	5.5%	5.6%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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

	2010/11	2009/10
	%	%
Equity investments	60.7	63.6
Government bonds	10.7	12.1
Other bonds	6.7	6.6
Property	7.9	6.3
Cash/liquidity	2.3	2.6
Other	11.7	8.8
	100.0	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	(0.03)	(9.82)	(29.56)	(20.35)	1.49
Experience gains and losses on liabilities	-	(2.40)	-	-	6.10

45. TRUST FUNDS

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

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

	EF Callister £	Stitt Scholarship £	RJ Russell Prize £	Criminal Injuries £	Other £	Total £
Balance 1 April 2009	372,822	36,298	85,288	41,999	90,220	626,627
Income	-	182	427	-	12,428	13,037
Expenditure	-	-	-	(8,108)	(1)	(8,109)
Balance 31 March 2010	372,822	36,480	85,715	33,891	102,647	631,555
Income	-	182	374	-	12,786	13,342
Expenditure	-	-	-	(31,558)	(482)	(32,040)
Balance 31 March 2011	372,822	36,662	86,089	2,333	114,951	612,857

Fund assets are as follows:

	Balance 1 April 2009 £	Balance 31 March 2010 £	Balance 31 March 2011 £
Property	372,822	372,822	372,822
Investments			
Internal	238,110	238,014	216,968
Equities	6,922	6,922	6,922
Cash	8,773	13,797	16,145
	626,627	631,555	612,857

46. CONTINGENT ASSETS AND LIABILITIES

Wirral Partnership Homes (WPH)

On the transfer of the Council housing stock in 2005, an environmental warranty was agreed with Wirral Partnership Homes (WPH). This warranty requires remediation of any environmental contamination. It has been agreed that the funding of such costs will be from the Community Fund that is administered by WPH and the Council.

The Community Fund is administered by WPH but all expenditure must be agreed by both WPH and the Council. The utilisation of the Fund by each organisation must be in accord with the agreed purposes of improving the economic, environmental and social well-being of Wirral's residents and compliance with the charitable objectives of WPH.

Pay Review

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

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

Development and Investment

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

47. 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 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 one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.
- **Liquidity Risk:** The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments
- **Market Risk:** The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

The Council manages credit risk by ensuring that investments are placed with counterparties having sufficiently high credit ratings as set out in the Treasury Management Strategy. Limits are also placed on the amount of money that can be invested with a single counterparty and for institutions that are part of the same banking group.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. Throughout 2010/11 the minimum criteria for new investments has been a long term rating of A+/A1/A+ (Fitch/ Moody's/ S&P) and a short term rating of F1/P-1/A-1 (Fitch/ Moody's/ S&P). The average credit rating for investments made in 2010/11 was AA this compares to the average credit rating of investments made in 2009/10 of AA-.

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2011 by the counterparty's country of origin and its credit rating. The table confirms that all investments were made in line with the Council's approved credit rating criteria:

Financial Institution / Instrument and Country	Credit Rating *		Maturity of Investment					Balance Invested as at 31.03.11
	Long Term Rating	Short Term Rating	Cash Equivalent	0-3 Months	3-6 Months	6-12 Months	Over 12 Months	
			£000	£000	£000	£000	£000	£000
LOANS AND RECEIVABLES								
<u>Banks</u>								
UK	AA-	F1+	5,000	9,100	11,900	1,000		27,000
UK	A+	F1	6,700	4,000	4,000	15,000		29,700
<u>Building Societies</u>								
UK	A+	F1	-	2,000		10,700		12,700
<u>Other Local Authorities</u>								
	n/a	n/a	-	-	-	2,000	3,500	5,500
TOTAL LOANS AND RECEIVABLES			11,700	15,100	15,900	28,700	3,500	74,900
AVAILABLE FOR SALE FINANCIAL ASSETS								
Gilts	AAA	F1+			975		7,500	8,475
Other Externally Managed Funds	AAA	F1+		1,000				1,000
Money Market Fund	AAA	F1+	50,350					50,350
TOTAL AVAILABLE FOR SALE ASSETS			50,350	1,000	975	-	7,500	59,825
Total Financial Instruments			62,050	16,100	16,875	28,700	11,000	134,725

* Credit rating is lowest common denominator equivalent derived from the rating allocated by the Agencies Fitch, Standard & Poors and Moody's

This table excludes the Council's impaired investment with Heritable Bank, but includes a risk assessment of cash equivalents.

The Council has an impaired loan and receivable of £2 million with Heritable Bank at an interest rate of 6.22% which was due to mature on 28 November 2008. Early in October 2008 Heritable Bank went into administration. The latest creditor progress report issued by the administrators Ernst and Young dated 28 January 2010 outlined that the return to creditors is projected to be 85p in the £ by the end of 2012. The Council has, therefore, decided to recognise an impairment based on it recovering 85p in the £.

Trade Debtors

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

2009-10 Trade Debtors	2010-11
£000	£000
16,425 Gross Debtors	15,353
4,676 Bad Debt Provision	6,489
11,749 Net Trade Debtors	8,864

Liquidity Risk

The Council has access to borrowing facilities from the Public Works Loan Board. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates by aiming to have an even spread of maturities in each year.

The maturity analysis of the nominal value of the Council's debt at 31 March 2011 was as follows:

	31.03.2011	
Maturity of Borrowing (Years)	£000	%
<u>Short Term Borrowing</u>		
Less than 1 year	14,533	5.30
Total Short Term Borrowing	14,533	5.30
<u>Long Term Borrowing:-</u>		
Over 1 year under 2 years	16,635	6.07
Over 2 years under 3 years	29,535	10.78
Over 3 years under 4 years	12,536	4.57
Over 4 years under 5 years	7,036	2.57
Over 5 years under 10 years	26,288	9.59
Over 10 years under 20 years	36,529	13.33
Over 20 years under 40 years	33,000	12.04
Over 40 years under 60 years	79,500	29.00
Over 60 years under 70 years	18,500	6.75
Total Long Term Borrowing	259,559	94.70
Total Borrowing	274,092	100.00

Market Risk

(1) Interest Rate Risk:

The Council is exposed to risks arising from movements in interest rates. To give the Council maximum flexibility during the year's unsettled market conditions the Treasury Management Strategy did not place limits on the amount of debt that can be exposed to fixed or variable interest rates. At 31 March 2011 100% of the debt portfolio was held in fixed rate instruments.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect on investment income would have been an increase of approximately £1,350,000. There would be no effect on interest payable on borrowings as all borrowings held are at fixed rates of interest.

The appropriate impact of a 1% fall in interest rates would be the same as above but with the movements being reversed.

(2) Price risk:

The Council only invests in AAA rated money market funds with a Constant Net Asset Value (CNAV) and, therefore, is only subject to very minimal price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).

(3) Foreign exchange risk

The Council has no financial assets or liabilities denominated in a foreign currency. It, therefore, has no exposure to loss arising as a result of adverse movements in exchange rates.

48. IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. A number of other amendments have also been included which reflect changes that would have been made under Generally Accepted Accounting Practice (GAAP).

An explanation of the differences between the amounts presented on the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements is set out in the following tables and notes that accompany the tables.

Reconciliation of net worth reported under previous GAAP to net worth under IFRS at the date of transition to IFRS (1 April 2009)

	Note	Previous GAAP £000	GAAP Amendments £000	IFRS Amendments £000	IFRS £000
Other Land & Buildings	4	587,396	-	5,092	592,488
Vehicles, Plant & Equipment	2	3,248	-	7,398	10,646
Infrastructure		83,494	-	-	83,494
Community Assets	4	26,249	-	(358)	25,891
Assets under construction		27,761	-	-	27,761
Surplus assets not held for sale	4	-	-	1,001	1,001
Property, Plant & Equipment		728,148	-	13,133	741,281
Investment Property	4	10,990	(671)	3,722	14,041
Surplus	4	7,355	(606)	(6,749)	-
Intangible Fixed Assets		1,124	-	-	1,124
Long term investments		11,396	-	-	11,396
Long-term Debtors		71,985	-	-	71,985
Long Term Assets		830,998	(1,277)	10,106	839,827
Short term investments	5	74,332	-	(26,800)	47,532
Inventories		317	-	-	317
Short term debtors		69,990	-	-	69,990
Cash	5	5,360	-	(5,360)	-
Cash and cash equivalents	5	-	-	32,160	32,160
Assets held for sale	4	-	-	1,933	1,933
Current Assets		149,999	-	1,933	151,932

(Table continues on following 2 pages)

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	Note	Previous GAAP £000	GAAP Amendments £000	IFRS Amendments £000	IFRS £000
Short Term Borrowing		25,973	-	-	25,973
Creditors	1,2,3	74,398	-	(8,663)	65,735
Provisions (less than 1 year)	6	-	-	3,227	3,227
Current Liabilities		100,371	-	(5,436)	94,935
Provisions	6	11,022	-	(11,022)	-
Provisions (greater than 1yr)	6	-	-	7,795	7,795
Long Term Borrowing		270,221	-	-	270,221
Government Grants Deferred	3	126,116	-	(126,116)	-
<i>Other Long Term Liabilities:</i>					
Deferred Credits		549	-	-	549
Lease Liability	2	68,786	-	3,830	72,616
Net Pensions Liability		297,278	-	-	297,278
Capital Grants Receipts in Advance	3	-	-	2,324	2,324
Long Term Liabilities		773,972	-	(123,189)	650,783
Net Assets		106,654	(1,277)	140,664	246,041
Represented By:					
General Fund		8,282	-	-	8,282
Earmarked reserves	7	80,485	-	(14,075)	66,410
Capital Receipts Reserve		9,472	-	-	9,472
Capital Grants Unapplied	3	-	-	13,090	13,090
Insurance Fund	7	-	-	14,075	14,075
Usable Reserves		98,239	-	13,090	111,329

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	Note	Previous GAAP £000	GAAP Amendments £000	IFRS Amendments £000	IFRS £000
Revaluation Reserve	7	158,780	(628)	(14,437)	143,715
Available-for-Sale Financial Instruments Reserve		746	-	-	746
Pensions Reserve		(297,278)	-	-	(297,278)
Capital Adjustment Account	2,3,4	150,762	(649)	147,247	297,360
Deferred Capital Receipts		-	-	-	-
Financial Instrument Adjustment Account		(4,258)	-	-	(4,258)
Collection Fund Adjustment Account		(337)	-	-	(337)
Unequal Back Pay Account		-	-	-	-
Short-term Accumulating Compensated Absences Account	1	-	-	(5,236)	(5,236)
Unusable Reserves		8,415	(1,277)	127,574	134,712
Total Reserves		106,654	(1,277)	140,664	246,041

Reconciliation of net worth reported under previous GAAP to net worth under IFRS at the end of the latest period presented in the most recent financial statements under previous GAAP (31 March 2010)

	Note	Previous GAAP £000	GAAP Amendments £000	IFRS Amendments £000	IFRS £000
Other Land & Buildings	4,10	534,195	3,737	6,001	543,933
Vehicles, Plant & Equipment	2	3,498	-	5,474	8,972
Infrastructure		91,606	-	-	91,606
Community Assets		25,356	-	-	25,356
Assets under construction		42,157	-	-	42,157
Surplus assets not held for sale	4	-	-	1,697	1,697
Property, Plant & Equipment		696,812	3,737	13,172	713,721
Investment Property	4	10,413	-	2,989	13,402
Surplus	4	6,509	-	(6,509)	-
Intangible Fixed Assets		1,131	-	-	1,131
Long term investments		11,073	-	-	11,073
Long-term Debtors		68,018	-	-	68,018
Long Term Assets		793,956	3,737	9,652	807,345
Short term investments		95,346	-	(26,635)	68,711
Inventories		277	-	-	277
Short term debtors		66,153	-	-	66,153
Cash	5	7,923	-	(7,923)	-
Cash and cash equivalents	5	-	-	34,558	34,558
Assets held for sale	4	-	-	2,099	2,099
Current Assets		169,699	-	2,099	171,798
Short Term Borrowing		19,372	-	-	19,372
Creditors	1,2,3	92,038	-	(26,085)	65,953
Provisions (less than 1 year)	6	-	-	2,110	2,110
Current Liabilities		111,410	-	(23,975)	87,435

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	Note	Previous GAAP £000	GAAP Amendments £000	IFRS Amendments £000	IFRS £000
Provisions	6	9,047	-	(9,047)	-
Provisions (greater than 1yr)	6	-	-	6,937	6,937
Long Term Borrowing		261,108	-	-	261,108
Government Grants Deferred	3	152,572	-	(152,572)	-
<i>Other Long Term Liabilities</i>					
Deferred Credits		371	-	-	371
Lease Liability	2	66,404		2,802	69,206
Net Pensions Liability		423,871	-	-	423,871
Capital Grants Receipts in Advance	3	-	-	2,354	2,354
Long Term Liabilities		913,373	-	(149,526)	763,847
Net Assets		(61,128)	3,737	185,252	127,861
Represented By:					
General Fund		13,758	-	-	13,758
Earmarked reserves	7	93,847	-	(13,781)	80,066
Capital Receipts Reserve		9,047	-	-	9,047
Capital Grants Unapplied	3	-	-	29,257	29,257
Insurance Fund	7	-	-	13,781	13,781
Usable Reserves		116,652	-	29,257	145,909

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	Note	Previous GAAP £000	GAAP Amendments £000	IFRS Amendments £000	IFRS £000
Revaluation Reserve	4,10	165,200	(2,105)	(11,799)	151,296
Available-for-Sale Financial Instruments Reserve		475	-	-	475
Pensions Reserve		(423,871)	-	-	(423,871)
Capital Adjustment Account	2,3,4 10	84,479	5,842	172,223	262,544
Deferred Capital Receipts		-	-	-	-
Financial Instrument Adjustment Account		(4,124)	-	-	(4,124)
Collection Fund Adjustment Account		61	-	-	61
Short Term Accumulating Compensated Absences Account	1	-	-	(4,429)	(4,429)
Unusable Reserves		(177,780)	3,737	155,995	(18,048)
Total Reserves		(61,128)	3,737	185,252	127,861

Reconciliation of the total Comprehensive Income and Expenditure Statement under IFRS for the latest period in the most recent annual financial statements (year ended 31 March 2010)

	Note	Previous GAAP £000	GAAP Amendments £000	IFRS Amendments £000	IFRS £000
Central Services to the Public	1,2,3,8	5,083	459	194	5,736
Court Services	8	459	(459)	-	-
Cultural, environmental, regulatory and planning services	1,2,3,4,9	84,124	(16,653)	(412)	67,059
Childrens and Educational Services	1,2,3,4	76,727	-	962	77,689
Highways and transport services	1,2,3,4,9	38,472	(26,458)	747	12,761
Housing	1	14,596	-	108	14,704
Adult Social Care	1,2,3,4	86,591	-	40	86,631
Corporate and Democratic Core	1,2,3	5,084	-	121	5,205
Non distributed costs		1,585	-	-	1,585
Cost of Services		312,721	(43,111)	1,760	271,370
Other operating expenditure	1,3,4,7,9	34,754	43,111	577	78,442
Financing and Investment Income and Expenditure	2,4,7	36,073	-	414	36,487
Taxation and non specific grant income	3	(321,119)	-	(50,080)	(371,199)
(Surplus)/deficit on the provision of services		62,429	-	(47,329)	15,100

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	Note	Previous GAAP £000	GAAP Amendments £000	IFRS Amendments £000	IFRS £000
Revaluation gains		(16,365)	-	(6,095)	(22,460)
Revaluation and impairment losses (chargeable to revaluation reserve)		7,013	-	3,822	10,835
Surplus on the revaluation of available for sale financial assets		(55)	-	-	(55)
Actuarial losses on pension assets and liabilities		114,760	-	-	114,760
Other Comprehensive Income and Expenditure		105,353	-	(2,273)	103,080
Total Comprehensive Income and Expenditure		167,782	0	(49,602)	118,180

Notes to the Impact of the adoption of International Financial Reporting Standards (IFRS)

The following notes show the impact of the adoption of International Financial Reporting Standards on the accounts. Notes 1-7 show changes applied directly as a result of IFRS changes. Notes 8-10 show changes applied as a result of Generally Accepted Accounting Practice (GAAP).

Note 1. Short-term Accumulating Compensated Absences (IFRS amendment)

Short-term accumulating compensated absences refer to benefits that employees receive as part of their contract of employment. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences.

As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

The revenue impact for 2009/10 is reflected within the net cost of services.

Opening 1 April 2009 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Creditors	(74,398)	(5,236)
Accumulated Absences Account	-	(5,236)
31 March 2010 Balance Sheet		
Creditors	(92,038)	(4,429)
Accumulated Absences Account	-	(4,429)

2009/10 Comprehensive Income and Expenditure Statement	2009/10 Statements £000	Adjustments Made £000
Cost of Services (Net)		
Central Services to the Public	5,083	42
Cultural, environmental, regulatory and planning services	84,124	(75)
Childrens and Educational Services	76,727	(761)
Highways and transport services	38,472	13
Housing	14,596	(5)
Adult Social Care	86,591	(42)
Corporate and Democratic Core	5,084	15
Other operating expenditure	34,754	6

Note 2. Leases (IFRS amendment)

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. However, this has not impacted on the way the accounts are presented.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council has a number of vehicle and equipment leases where the accounting treatment has changed following the introduction of the Code.

The most significant are vehicles leased as part of the refuse collection and street cleansing contracts. Other items of equipment include information technology, catering and grounds maintenance.

As a consequence of classifying these as finance leases, the financial statements have been amended as follows:

- The council has recognised these assets within vehicles, plant and equipment together with a finance lease liability. The operating lease charge within gross expenditure analysed by service has been reduced by the amount that relates to these lease payments.
- A depreciation charge has been included within various service headings.
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account).
- These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payment in respect of the vehicles and equipment is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

Opening 1 April 2009 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Vehicles, Plant and Equipment	3,248	7,398
Creditors	(74,398)	(1,515)
Lease Liability	(68,786)	(3,830)
Capital Adjustment Account	(150,762)	(2,053)
31 March 2010 Balance Sheet		
Vehicles, Plant and Equipment	3,498	5,474
Creditors	(92,038)	(1,097)
Lease Liability	(66,404)	(2,802)
Capital Adjustment Account	(84,479)	(1,575)

2009/10 Comprehensive Income and Expenditure Statement	2009/10 Statements £000	Adjustments Made £000
Cost of Services (Net)		
Central Services to the Public	5,083	126
Cultural, environmental, regulatory and planning services	84,124	(179)
Childrens and Educational Services	76,727	(74)
Highways and transport services	38,472	4
Adult Social Care	86,591	37
Corporate and Democratic Core	5,084	84
Financing and Investment Income and Expenditure	36,073	350

Note 3. Government Grants (IFRS amendment)

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Amortisation of certain government grants deferred was previously recognised as income in 2009/10. These have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- A number of grants were received in 2009/10 but not used. Where there is reasonable assurance that any conditions attached to the grant will be met income has been recognised in respect of the grants, whereas previously no income would have been recognised. In the case of such grants the balance remaining to fund future capital expenditure is shown as Capital Grants Unapplied.
- There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.
- Where grant conditions have yet to be met these grants are included as Capital Grants Received in Advance, and no income will have been recognised.
- Previously any unspent balances on capital grants were included in short term creditors, this no longer holds any such balances.

Opening 1 April 2009 Balance Sheet	2009-10 Statements £000	Adjustments Made £000
Government Grants Deferred	(126,116)	126,116
Capital Adjustment Account	(150,762)	(126,116)
Creditors	(74,398)	15,414
Capital Grants Received in Advance	-	(2,324)
Capital Grants Unapplied	-	(13,090)
31 March 2010 Balance Sheet		
Government Grants Deferred	(152,572)	152,572
Capital Adjustment Account	(84,479)	(152,572)
Creditors	(92,038)	31,611
Capital Grants Received in Advance	-	(2,354)
Capital Grants Unapplied	-	(29,257)

2009-10 Comprehensive Income and Expenditure Statement	2009-10 Statements £000	Adjustments Made £000
Cost of Services (Net)		
Central Services to the Public	5,083	26
Cultural, environmental, regulatory and planning services	84,124	443
Childrens and Educational Services	76,727	1,797
Highways and transport services	38,472	730
Adult Social Care	86,591	131
Corporate and Democratic Core	5,084	22
Other operating expenditure	34,754	6
Taxation and non specific grant income	(321,119)	(50,080)

Note 4. Assets (IFRS amendment)

Reclassification

Under the Code there is a requirement to review the asset classifications in order that they meet with revised definitions as prescribed by the Code. This particularly applies to investment assets, surplus assets and assets held for sale.

Where necessary assets that have been reclassified will have been revalued and corresponding adjustments made to the Revaluation Reserve and Capital Adjustment Account.

Where a revaluation gain has previously been recognised in the Revaluation Reserve prior to 1 April 2009 on an asset with a previous revaluation loss an adjustment is required between the revaluation reserve and the Capital adjustment Account.

As a consequence of this and the new definitions the financial statements have been amended as follows:

- The value of land and buildings has been increased
- The value of community assets is reduced
- Assets meeting the definition of "held for sale" have been reclassified
- The former category of surplus assets has been re-analysed to ensure that these assets are classed according to the new Code definitions
- A number of former surplus assets now meet the definition of surplus assets not held for sale
- The value of investment assets has been increased
- The available balance on individual revaluation reserves has been reduced
- Revaluation gains have been applied to previous impairment losses and losses on disposal of non-current assets have been recognised

Opening 1 April 2009 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Other land and buildings	587,396	5,092
Surplus assets not held for sale	-	1,001
Community Assets	26,249	(358)
Investment assets	10,990	3,722
Surplus assets	7,355	(6,749)
Assets held for sale	-	1,933
Revaluation Reserve	(150,780)	14,437
Capital Adjustment Account	(150,762)	(19,078)
31 March 2010 Balance Sheet		
Other land and buildings	534,195	6,001
Surplus assets not held for sale	-	1,697
Investment assets	10,413	2,989
Surplus assets	6,509	(6,509)
Assets held for sale	-	2,099
Revaluation Reserve	(165,200)	(6,362)
Capital Adjustment Account	(84,479)	85

2009-10 Comprehensive Income and Expenditure Statement	2009/10 Statements £000	Adjustments Made £000
Cost of Services (Net)		
Childrens and Educational Services	76,727	(4)
Highways and transport services	38,472	(5)
Adult Social Care	86,591	(86)
Other operating expenditure	34,754	466

Investment assets

A further requirement is for any surplus or deficit on the revaluation of investment assets to be shown within Financing and Investment Income and Expenditure.

Any subsequent balance on the Revaluation Reserve in respect of investment assets has been written off to the Capital Adjustment Account.

Income and expenditure in relation to investment properties is also required to be shown separately within Financing and Investment Income and Expenditure as opposed to Net Cost of Services.

31 March 2010 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Revaluation Reserve	(165,200)	18,161
Capital Adjustment Account	(84,479)	(18,161)

2009/10 Comprehensive Income and Expenditure Statement	2009/10 Statements £000	Adjustments Made £000
Cost of Services (Net)		
Cultural, environmental, regulatory and planning services	84,124	(601)
Childrens and Educational Services	76,727	4
Financing and Investment Income and Expenditure	36,073	169

Note 5. Cash and Cash Equivalents (IFRS amendment)

An authority may classify an asset as current when the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. Under GAAP cash equivalent was not recognised as an independent asset in the balance sheet.

Cash equivalents are taken to be short term highly liquid investments readily convertible to known amounts of cash which are subject to an insignificant risk of change in value. Consequently, deposits held at call with financial institutions are now recognised as a cash equivalent with a corresponding reduction in short term investments.

Opening 1 April 2009 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Cash	5,360	(5,360)
Cash and cash equivalents	-	32,160
Short term Investments	74,332	(26,800)
31 March 2010 Balance Sheet		
Cash	7,923	(7,923)
Cash and cash equivalents	-	34,558
Short term Investments	95,346	(26,635)

Note 6. Provisions (IFRS amendment)

Where provisions meet the definition of current liabilities there is a requirement to reclassify the relevant amounts from non current liabilities (referred to as long term liabilities under the SORP). Provisions have therefore been analysed into short (equal or less than 1 year) and long term (more than 1 year), depending on when the liability is expected to be settled.

Opening 1 April 2009 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Provisions	11,022	(11,022)
Provisions < 1 year	-	3,227
Provisions > 1 Year	-	7,795
31 March 2010 Balance Sheet		
Provisions	9,047	(9,047)
Provisions < 1 year	-	2,110
Provisions > 1 Year	-	6,937

Note 7. Minor Adjustments (IFRS amendment)

Expenditure and income on trading undertakings is to be classified within Financing and Investment Income and Expenditure. Earmarked reserves have been restated in order to show the value of the Insurance Fund Reserve separately.

Opening 1 April 2009 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Earmarked Reserves	80,485	(14,075)
Insurance Fund	-	14,075
31 March 2010 Balance Sheet		
Earmarked Reserves	93,847	(13,781)
Insurance Fund	-	13,781

2009-10 Comprehensive Income and Expenditure Statement	2009/10 Statements £000	Adjustments Made £000
Cost of Services (Net)		
Other operating expenditure	34,754	105
Financing and Investment Income and Expenditure	36,073	(105)

Note 8. Court Services (GAAP amendment)

This was incorrectly classified in the Statement of Accounts for 2009/10. It has been reclassified to Central Services to the Public in the Net Cost of Services.

2009-10 Comprehensive Income and Expenditure Statement	2009/10 Statements £000	Adjustments Made £000
Cost of Services (Net)		
Central Services to the Public	5,083	459
Court Services	459	(459)

Note 9. Levies (GAAP amendment)

The Code now requires these to be shown separately in Other Operating Expenditure.

2009-10 Comprehensive Income and Expenditure Statement	2009/10 Statements £000	Adjustments Made £000
Cost of Services (Net)		
Cultural, environmental, regulatory and planning services	84,124	(16,653)
Highways and transport services	38,472	(26,458)
Other operating expenditure	34,754	43,111

Note 10. Other Land and Buildings (GAAP amendment)

A review of the asset portfolio for 2009/10 indicated that investment and surplus assets had been overstated. Both were reduced to the correct valuation. The Revaluation Reserve was correspondingly overstated and was adjusted. The Capital Adjustment Account was also overstated and reduced accordingly by the accumulated impairment associated with both classes of asset.

A number of assets were impaired during 2009/10, however the associated depreciation had not been written off. This requires an adjustment between the Capital Adjustment Account and depreciation balances. The Revaluation Reserve in respect of 2 PFI schools was incorrectly written down during 2009/10. This requires an adjustment between the Capital Adjustment Account and Revaluation Reserve.

Opening 1 April 2009 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Surplus asset	10,990	(671)
Investment Property	7,355	(606)
Capital Adjustment Account	(150,762)	649
Revaluation Reserve	(158,780)	628
31 March 2010 Balance Sheet		
Other Land and buildings	534,195	3,737
Capital Adjustment Account	(84,479)	(5,842)
Revaluation Reserve	(165,200)	2,105

Additional Financial Statements

Collection Fund

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ADDITIONAL FINANCIAL STATEMENTS**COLLECTION FUND****INCOME AND EXPENDITURE ACCOUNT**

	2009/10		2010/11	
	£000	£000	£000	£000
Income				
Council Tax (Note 2)	121,572		123,292	
Transfers from General Fund:-				
• Council Tax Benefits	29,761		31,034	
• Pensioner Discounts	531		780	
Income Collectable from Business Rate Payers (Note 3)	59,202		56,976	
Contribution from Preceptors to previous years estimated deficit (Note 5)	800			
		211,866	-	212,082
Expenditure				
Precepts from District, Police and Fire (Note 4)	150,175		153,287	
Business Rate				
- Payment to National Pool (Note 3)	58,850		56,631	
- Costs of Collection	352		345	
Bad and Doubtful Debts				
- Provisions	2,026		866	
Contribution to Preceptors from previous years estimated surplus	-		-	
		211,403		211,129
Movement on Collection Fund Balance		463		953

COLLECTION FUND BALANCE

	2009/10	2010/11
	£000	£000
Fund Balance b/f 1 April	(392)	71
Movement in year	463	953
Fund Balance c/f 31 March	71	1,024

In accordance with revised accounting practice the Collection Fund balance has been allocated in 2010/11 to individual preceptors, which includes Wirral Council.

NOTES TO THE ADDITIONAL FINANCIAL STATEMENTS**COLLECTION FUND****1. GENERAL**

These accounts represent the statutory requirement to establish and maintain a separate fund for the collection and distribution of amounts in respect of Council Tax and National Non-Domestic Rates (NNDR).

2. INCOME FROM COUNCIL TAX

The Council set a Council Tax in 2010/11 for each band of dwelling as shown below:

Band	£	Band	£	Band	£	Band	£
A	976.14	C	1,301.51	E	1,789.58	G	2,440.34
B	1,138.82	D	1,464.20	F	2,114.96	H	2,928.40

The Council Tax was set estimating the number of properties in each band, after allowing for discounts and a 1.5% provision for non-collection. The tax in each band is set in relation to Band D. The maximum is Band H which is twice Band D. The minimum is Band A which is 2/3 of Band D.

The properties making up the estimated tax base are shown below. A number of adjustments are made to reflect the estimated reductions, reliefs and exemptions that apply to properties in each band. This gives the number of effective properties in each band, which is converted into the Band D equivalent using the ratios given:

Band	No. of Properties	Less Discounts	Effective Properties	Band Ratio	Band D Equivalent
A	58,641	11,066.75	47,574.25	6/9	31,716.20
B	30,900	3,902.50	26,997.50	7/9	20,998.10
C	27,203	2,801.75	24,401.25	8/9	21,690.00
D	13,006	1,178.50	11,827.50	1	11,827.50
E	8,047	644.00	7,403.00	11/9	9,048.10
F	4,278	323.5	3,954.50	13/9	5,712.10
G	3,102	229.25	2,872.75	15/9	4,787.90
H	269	43.75	225.25	18/9	450.50
	145,446	20,190.00	125,256.00		106,230.40
Add Government Dwellings					2.00
Add Band A Disabled Relief Band D					51.40
Total					106,283.80

After a 1.5% provision for uncollectables, the overall tax base for the Council totalled 104,690.

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

	2009/10	2010/11
	£000	£000
Cash Payable	121,572	123,292
Council Tax Benefit	29,761	31,034
Pensioner Discounts	531	780
	151,864	155,106

3. INCOME FROM BUSINESS RATE PAYERS

The Council collects Non-Domestic rates for its area. This is based on local estimated rateable values. The estimated rateable value is split between general and small business. For 2010/11, the total rateable value was £180,504,438 of this, £165,255,505 related to general, charged at £0.414. Total small business was £15,248,933, charged at £0.407. This gave an opening charge of £74.61 million.

The total amount less certain relief and costs of collection is paid to a central pool managed by Central Government. The pool pays back to authorities an amount based on a standard amount per head of the local adult population. This distribution is paid into the Council's General Fund. The total rateable value of all hereditaments within the Council area at 31 March 2011 was £180,030,023.

4. PRECEPTS

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

	2009/10	2010/11
	£000	£000
Wirral Council	129,008	131,197
Merseyside Fire and Civil Defence Authority	6,504	6,781
Merseyside Police Authority	14,663	15,309
	150,175	153,287

5. CONTRIBUTION FROM/TO COLLECTION FUND

A year-end surplus/deficit on the Council Tax element of the Collection Fund is only physically distributed/recovered between the billing and precepting authorities where an estimated surplus/deficit has already been notified to those authorities.

For 2009/10 the Preceptors were notified that the Collection Fund would be in a balanced position and as such there was no surplus/deficit to be distributed / recovered between the precept authorities in respect of 2010/11.

In accordance with the changes in accounting practice any outstanding amounts at year end are distributed to preceptors on an accrued basis. Wirral's balance sheet reflects the share of any amounts owing or owed to it. An agency arrangement is reflected in Wirral Council's accounts with a single debtor or creditor representing amounts owed or owing to the Merseyside Fire & Civil Defence and Merseyside Police Authorities.

6. ALLOCATION OF YEAR END BALANCES

The year end balance on the Collection Fund is in respect of Council Tax and is shared in proportion to the precepts on the Collection Fund. The surplus allocated on the basis of the 2010/11 precept votes is as below.

Payable to:	£000
Wirral Council	877
Merseyside Fire and Civil Defence Authority	102
Merseyside Police Authority	45
	1,024

The share of any Collection Fund surplus or deficit is reflected within the precepting organisation's 2010/11 accounts. Wirral Council's element is included within the Taxation and Non-Specific Grant Income line within the Comprehensive Income and Expenditure Statement.

Additional Financial Statements

Merseyside Pension Fund Accounts

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MERSEYSIDE PENSION FUND ACCOUNTS**FINANCIAL STATEMENTS**

FUND ACCOUNT	Note	2010-11	2009-10
For the year ended 31 March 2011		£000	£000
			Restated
Contributions and Benefits:			
Contributions receivable	3	266,747	250,473
Transfers in		19,273	21,932
Administration Income		326	125
		286,346	272,530
Benefits payable	4	259,911	219,135
Leavers	5	18,589	19,658
Administration expenses		4,778	3,965
		283,278	242,758
Net additions from dealings with members		3,068	29,772
Return on Investments:			
Investment Income	6	88,540	86,374
Profit and losses on disposal of investments and change in market value of investments	7	330,903	1,080,102
Taxes on income		(1,988)	(2,350)
Investment management expenses	9	(10,300)	(9,745)
Net return on Investments		407,155	1,154,381
Net increase/(decrease) in the Fund during the year		410,223	1,184,153
Net Assets of the Fund start of the year		4,705,649	3,521,496
Net Assets of the Fund end of the year		5,115,872	4,705,649

NET ASSETS STATEMENT	Note	2011	2010	01.04.2009
For the year ended 31 March 2011		£000	£000	£000
			Restated	Restated
Investment Assets	7			
Equities		1,725,620	1,888,567	1,277,175
Pooled Investment Vehicles		2,960,106	2,459,616	1,908,688
Derivative Contracts		756	33	130
Direct Property		251,935	210,225	199,535
Short Term Cash Deposits		59,570	56,207	74,089
Other Investment Balances		89,555	62,893	63,866
		5,087,542	4,677,541	3,523,483
Investment Liabilities	8	(37,114)	(5,607)	(22,413)
		5,050,428	4,671,934	3,501,070
Non Current Assets	10	30,844	15,670	11,545
Current Assets	11	50,586	30,961	30,412
Current Liabilities	11	(15,986)	(12,916)	(9,986)
Net Assets of the Fund as at 31 March		5,115,872	4,705,649	3,533,041

NOTES TO THE PENSION FUND ACCOUNTS

1. GENERAL

The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 is the first to be based on International Financial Reporting Standards (IFRS). It has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

The Code for 2010/11 has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2010. It applies for accounting periods commencing on or after 1 April 2010.

The move to the IFRS-based Code from a UK GAAP-based Statement of Recommended Practice (the Local Authority SORP) has resulted in a number of significant changes in accounting practice, and a new format. As a requirement of IFRS 1 a transitional net assets statement and associated notes have been provided. For Pension Fund Accounts, where detailed technical aspects are not addressed within the IFRS Code, the guidance within the continuing Statement of Recommended Practice, Financial Reports of Pension Schemes (the SORP) May 2007 continues to be utilised.

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. Under International Reporting Standards (IFRS) the obligations to pay pensions and benefits which fall due after the end of Scheme year must now feature, and are shown within the statement by the Actuary of the actuarial position of the Scheme. These financial statements should be read in conjunction with the Actuarial Statement, which indicates the Fund's future liability to pay benefits. All such benefits so calculated are "vested" for the purpose of the IAS26/IAS19 figures.

2. ACCOUNTING POLICIES

Basis of Preparation

The financial statements represent the first year in which they have been primarily prepared in accordance with International Financial Reporting Standards (IFRS), as reflected in the Local Authority Code, which applies to UK local authority pension funds. Where subsequently appropriate, they have followed UK accounting standards with particular reference to the Statement of Recommended Practice, Financial Reports of Pension Schemes (the Pension's SORP).

Valuation of Investments

Investments are stated at market value. For listed securities the stock exchange values are used. Such values are shown at bid price, i.e. the price which the Fund would have obtained should the securities have been sold at the year end. For unlisted investments such as hedge funds, wherever possible valuations have been obtained via the independent administrator, although some remain at managers' valuation. Valuations of UK private equity are consistent with the guidelines and conventions of the British Venture Capital Association. Properties have been valued independently by Colliers Erdman Lewis, Chartered Surveyors as at 31 March 2011.

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. Augmentation payments due from employers in future years are now accrued for, which represents a change in accounting policy.

Transfers to and from other schemes

Transfer payments relate to those early leavers whose transfers have been paid during the year plus an accrual for future payments in respect of members moving their service to other schemes under bulk transfer arrangements. Three bulk transfers into MPF are included in 2010/11, for which a cash payment will be received.

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.

Prior Year Adjustments

There have been no changes to the March 2009 totals of the Fund Account or its Net Asset Statement in respect of the changes to IRFS accounting.

With regard to the figures as at 31 March 2010, Prior Period Adjustment has been made as follows:

- to reflect the elimination from the accounts of both payments of Compensatory Added Years (CAYs) and their reimbursement by employers. These transactions net out to NIL. Full details are now shown as Note 16 to these Accounts.
- to reflect inclusion on the face of the accounts of "Taxes on Income", Note 6 "Investment Income" is now shown gross of tax.
- to reflect changes in analysis in Note 7 between equities, pooled investment vehicles and "other investment balances"

Basis of Estimates

Estimates for post year end outstanding items have been used for the following activities:

- payments of retirement grants, death grants and investment managers' fees.
- retirement grants due for payment, but not paid by 31 March: using actual figures as far as possible, and assuming maximum commutation to be taken where the knowledge of the individual member's choice is still outstanding.
- death grants due for payment, but not paid by 31 March: for example awaiting Probate.
- investment managers' fees outstanding: estimated using the Fund's valuations as at 31 March 2011.

3. CONTRIBUTIONS RECEIVABLE

	2010-11 £000	2009-10 £000
Employers		
Normal	165,836	164,996
Augmentation	45	522
Pension Strain	28,471	23,811
Deficit Funding	11,874	316
Employees		
Normal	60,521	60,828
	266,747	250,473
Relating to:		
Administering Authority	41,317	38,254
Statutory Bodies	187,628	176,471
Admission Bodies	37,802	35,748
	266,747	250,473

Employers Normal contributions includes an element of past service deficit. The 2007 actuarial valuation calculated the average employer contribution rate of 17.8%, 12.1% was determined the average employer rate in respect of future service only and 5.7% for past service deficit.

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

"Pension Strain" represents the cost to employers when their employees retire early to compensate the Fund for the reduction in contribution income and the early payment of benefits. Payments to the Fund for such costs are made over agreed periods. An accrual has been made for agreed future payments to the Fund.

"Deficit Funding" represents additional payments by employers to reduce a past service deficit, thereby potentially reducing their future contribution rates. Such payments may be made either as lump sum payments (£5.4million in 2010/11, nil in 2009/10) or as regular additional contributions. Also included is £6.4million relating to Magistrates Court which was previously an active member of the Fund.

Figures for "Compensatory Added Years" represent re-imbursements by employers to the Fund for additional pension payments awarded under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2000. As such pensions payments lie outside the LGPS Regulations, with the Fund acting as agent for such payments, figures of both payments to pensioners (previously shown under Note 4 "Benefits Payable") and the recovery of such costs from employers (previously shown under Note 3 "Contributions Receivable") are now excluded from the Fund accounts. Instead they are shown within Note 16 to the Accounts.

4. BENEFITS PAYABLE

	2010-11 £000	2009-10 £000
Pensions	182,237	173,785
Lump sum retiring allowances	72,053	41,260
Lump sum death benefits	5,621	4,090
	259,911	219,135
Relating to:		
Administering Authority	40,647	31,326
Statutory Bodies	186,790	158,176
Admission Bodies	32,474	29,633
	259,911	219,135

5. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2010-11 £000	2009-10 £000
Refunds to members leaving service	15	41
Payment for members joining State scheme	1	2
Income for members from State scheme	(18)	(7)
Individual transfers to other schemes	18,591	19,622
	18,589	19,658

6. INVESTMENT INCOME

	2010-11 £000	2009-10 £000
Dividends from Equities	58,477	56,000
Income from Pooled Investment Vehicles	8,555	7,730
Net Rents from Properties	17,242	18,734
Interest on Short Term Cash Deposits	705	1,279
Income from Associate and Joint Ventures	2,405	1,732
Interest from Derivatives	257	-
Other	899	899
	88,540	86,374

Figures of income from 'Dividends from Equities' and "Income from Pooled Investment Vehicles' are now shown separately. Within these headings is included recoverable

taxation of £1.56million, (2009/10 £1.27million). Income from profits from associate and joint ventures of £2.4million (2009/10 £1.7million) is now shown separately.

These figures are now shown gross of tax, as the face of the accounts now includes a figure of "Taxes on Income" Figures for 31 March 2010 have been appropriately changed.

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, but is not accruing for future receipt of such income within these accounts. Although no further repayments were received in 2010/11 a further £54,613 was recovered after the year end.

As at 31 March 2011, £65.37million of stock was on loan to market makers, which was covered by non-cash collateral, in the form of G10 sovereign debt, totalling £69.31million, giving a margin of 5.5%. Collateral is marked to market, and adjusted daily. Income from stock lending amounted to £859,109 and is included within 'Other' Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

The risks associated with stock lending are set out in the Fund's "Statement of Investment Principles".

7. INVESTMENTS

	Market Value 31.3.2010 £000	Purchases at cost & Derivative Payments £000	Sale Proceeds & Derivative Receipts £000	Change in Market Value * £000	Market Value 31.3.2011 £000
Equities	1,888,567	1,445,152	(1,692,547)	84,448	1,725,620
Pooled Investment Vehicles	2,459,616	916,309	(641,674)	225,855	2,960,106
Derivative Contracts	33	30,051	(29,882)	554	756
Direct Property	210,225	42,722	(10,317)	9,305	251,935
	4,558,441	2,434,234	(2,374,420)	320,162	4,938,417
Short term cash deposits	56,207				59,570
Other investment balances	62,893			10,741	89,555
	4,677,541			330,903	5,087,542

* The change in market value of investments during the year comprises all realised and unrealised appreciation and depreciation.

There has been a re-analysis of the allocation between equities, pooled investment vehicles and "other investment balances" as at the end of March 2010, as a net nil Prior Period Adjustment.

There was an adjustment of UK Equities and £14.4m was moved to Pooled Investment Vehicles.

Managed and Unitised Funds and Other Investments are now under the heading Pooled Investment Vehicles.

Amounts due to stockbrokers are now excluded from Other Investment Balances and instead shown under Investment Liabilities.

Investments in Limited Partnerships, worth £240.5million, (book value £166.4million) are not readily realisable. All other assets are deemed "available for sale" financial assets.

	2011	2010	01.04.2009
	£000	£000	£000
Equities (segregated holdings)			
UK Quoted	855,304	788,134	550,034
Overseas Quoted	870,316	1,100,433	727,141
	1,725,620	1,888,567	1,277,175
Pooled Investment Vehicles			
UK Managed Funds:			
Property	26,000	-	-
Equities	224,555	181,449	115,016
Private Equity	143,309	120,397	98,455
Hedge Funds	48,818	72,157	64,819
Corporate Bonds	188,279	176,742	156,438
Infrastructure	26,992	-	-
Opportunities	96,680	81,506	18,485
Overseas Managed Funds:			
Equities	292,919	29,205	10,566
Private Equity	97,198	71,507	46,859
Hedge Funds	176,358	158,628	154,820
Infrastructure	11,321	-	-
Opportunities	18,370	5,933	26,457
UK Unit Trusts:			
Property	80,337	52,422	30,351
Other	-	-	-
Overseas Unit Trusts:			
Property	57,863	35,417	28,603
Other	-	-	-
Unitised Insurance Policies	1,471,107	1,474,253	1,157,819
	2,960,106	2,459,616	1,908,688

The following holdings each represent more than 5% of the value of the whole Fund:

	2011		2010	
	£000	%	£000	%
Legal & General Pooled UK Index Linked Gilts	487,795	9.7	462,775	9.9
UBS USA Equity Tracker	417,291	8.3	350,591	7.5
Legal & General Pooled UK Equities	371,470	7.4	477,651	10.3

		2010-11		2009-10
		£000		£000
Derivative Contracts				
Type of Derivative	Futures	Economic Exposure		Market Value
DJ Euro STOXX 50 Index	Futures	Jun-11	2,694	269

A Futures contract is the obligation under a legal agreement to make or take delivery of a specified instrument at a fixed future date, at a price determined at the time of dealing. Merseyside Pension Fund's index futures contracts are externally managed and their objective is to hedge overseas investment positions against adverse index movements.

Futures dealing requires the posting of margin. Initial margin which must be posted before you can trade and variation margin, the mark-to-market value of the futures contracts you hold. Variation Margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral is held in Euro currency and the Sterling equivalent is £234,605.87. DJ Euro STOXX 50 Futures have a contract multiplier of x10 therefore the notional value underlying the futures contracts is £2.694m.

Forward Foreign Exchange

Contract	Settlement Date	Currency Bought £000	Currency Sold £000	Asset £000	Liability £000
Forward Currency Contracts	April 2011	GBP 89	AUD 139	-	-
Forward Currency Contracts	April 2011	GBP 2818	EUR 3198	8	-
Forward Currency Contracts	April 2011	EUR 1599	GBP 1415	10	-
Forward Currency Contracts	April 2011	EUR 170	GBP 149	-	-

Forward Current Contracts are exchange traded and are used to hedge exposures to foreign currency back into sterling.

Options

Type of Option	Expiration	Underlying Investment	Notional Amount of Outstanding Contracts £000	Asset £000	Liability £000
Purchased Call	October 2012	Etihad Etisalat Co SAR 10.00	469	-	19

A call option is an agreement that gives an investor the right (but not the obligation) to buy a stock, bond, commodity, or other instrument at a specified price within a specific time period.

	2011 £000	2010 £000	01.04.2009 £000
UK Properties			
Freehold	211,761	190,574	182,038
Leasehold	40,174	19,651	17,497
	251,935	210,225	199,535
Short Term Cash Deposits			
Sterling	59,570	56,207	74,089
	59,570	56,207	74,089

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

	2011 £000	2010 £000	01.04.2009 £000
Other investment balances			
Amounts due from brokers	257	33	858
Outstanding trades	35,523	6,636	19,171
Outstanding dividend entitlements and recoverable withholding tax	16,034	12,796	6,110
Cash deposits	37,741	43,428	37,727
	89,555	62,893	63,866

'Other Investment Balances' include amounts due to and from stockbrokers and also cash with managers awaiting investment.

IFRS 7.4.2 requires an analysis of financial instruments and financial liabilities by different categories. These cover carrying amounts, and net gains and losses. For completeness, market value is shown in the same analysis. The following tables analyse the carrying amounts of the financial assets and liabilities (excluding cash and cash equivalents) by category and by net asset statement heading, and by net gains and losses.

At market value	31 March 2011		
	Loans and receivables	Available for Sale Assets	Designated as at fair value through profit or loss
	£000	£000	£000
Financial Assets			
Equities	-	1,725,620	-
Pooled Investment Vehicles	-	2,719,599	240,507
Derivatives	-	-	756
Direct Property	-	251,935	-
Cash deposits	59,570	-	-
Other investment balances	89,555	-	-
Debtors	81,430	-	-
Total financial assets	230,555	4,697,154	241,263
Financial Liabilities			
Other investment balances	37,114	-	-
Creditors	-	-	15,986
Total financial liabilities	37,114	-	15,986

At market value	31 March 2010		
	Loans and receivables	Available for Sale Assets	Designated as at fair value through profit or loss
	£000	£000	£000
Financial Assets			
Equities	-	1,888,567	-
Pooled Investment Vehicles	-	2,267,712	191,904
Derivatives	-	-	33
Direct Property	-	210,225	-
Cash deposits	56,207	-	-
Other investment balances	62,893	-	-
Debtors	46,631	-	-
Total financial assets	165,731	4,366,504	191,937
Financial Liabilities			
Other investment balances	5,607	-	-
Creditors	-	-	12,916
Total financial liabilities	5,607	-	12,916

31 March 2011			
Carrying Amount	Loans and receivables	Available for Sale Assets	Designated as at fair value through profit or loss
	£000	£000	£000
Financial Assets			
Equities	-	1,460,447	-
Pooled Investment Vehicles	-	2,203,901	166,361
Derivatives	-	-	-
Direct Property	-	275,382	-
Cash deposits	59,570	-	-
Other investment balances	89,555	-	-
Debtors	81,430	-	-
Total financial assets	230,555	3,939,730	166,361
Financial Liabilities			
Other investment balances	-	-	-
Creditors	-	-	-
Total financial liabilities	-	-	-

31 March 2010			
Carrying Amount	Loans and receivables	Available for Sale Assets	Designated as at fair value through profit or loss
	£000	£000	£000
Financial Assets			
Equities	-	1,487,051	-
Pooled Investment Vehicles	-	1,832,979	151,196
Derivatives	-	-	-
Direct Property	-	243,631	-
Cash deposits	56,207	-	-
Other investment balances	62,893	-	-
Debtors	46,631	-	-
Total financial assets	165,731	3,563,661	151,196
Financial Liabilities			
Other investment balances	-	-	-
Creditors	-	-	-
Total financial liabilities	-	-	-

	31 March 2011		
Net Gains and Losses	Loans and receivables	Available for Sale Assets	Designated as at fair value through profit or loss
	£000	£000	£000
Financial Assets			
Equities	-	220,791	-
Pooled Investment Vehicles	-	110,969	483
Derivatives	-	-	319
Direct Property	-	(653)	-
Cash deposits	-	-	-
Other investment balances	10,740	-	-
Debtors	-	-	-
Total financial assets	10,740	331,107	802
Financial Liabilities			
Other investment balances	-	-	-
Creditors	-	-	-
Total financial liabilities	-	-	-

	31 March 2010		
Net Gains and Losses	Loans and receivables	Available for Sale Assets	Designated as at fair value through profit or loss
	£000	£000	£000
Financial Assets			
Equities	-	94,327	-
Pooled Investment Vehicles	-	(2,168)	14
Derivatives	-	-	304
Direct Property	-	-	-
Cash deposits	233	-	-
Other investment balances	(1,145)	-	-
Debtors	-	-	-
Total financial assets	(912)	92,159	318
Financial Liabilities			
Other investment balances	-	-	-
Creditors	-	-	-
Total financial liabilities	-	-	-

Disclosure note re Transactions Costs

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties. They have been added to purchases and netted against sales proceeds as appropriate. Transaction costs during the year amounted to £2.1 million (2009/10 £2.0 million). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the Fund.

Disclosure Note Icelandic Deposits

Early in October 2008, the Icelandic banks collapsed and their UK subsidiaries went into administration. The Fund had £5 million deposited with Glitnir Bank at an interest rate of 6.30% which was due to mature 15 October 2008 and £2.5 million deposited with Heritable Bank at an interest rate of 5.94% which was due to mature 10 December 2008.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Fund will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Fund has given consideration to an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Old Glitnir's affairs are being administered under Icelandic law. The Glitnir Winding-Up Board had expressed the view that local authority deposits do not have priority status. However, the Iceland District Court ruled for the test cases that local authorities do have priority status. An appeal has been lodged against this decision by the Glitnir Winding-Up Board.

The expected recovery rate for claims that have priority status is 100%. Full recovery is subject to the following uncertainties and risks:

- Confirmation that local authority deposits enjoy preferential creditor status, which is to be tested through the Icelandic Courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Fund's claim, which may be denominated wholly or partly in currencies other than sterling.

Therefore the Fund has followed the latest Local Authority Accounting Panel recommendation that the estimated recoverable amount is based on the assumption that local authority deposits will enjoy priority status. The Fund therefore continues to assume the future recovery on the full amount of principal and interest up to 22 April 2009. However, impairment is now made to reflect the loss of interest to the Fund until the funds are repaid.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. Therefore, if preferential creditor status is not achieved the recoverable amount is approximately 29%.

No payment is expected to be received prior to the court cases and any appeals in respect of priority status being heard. In calculating the impairment the Fund has assumed that the repayment of priority deposits will be made by December 2011.

Recoveries are expressed as a percentage of the Fund's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009.

Heritable

Heritable Bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. To date the Fund has received dividend payments totalling 56.35 pence in the £ (£1.4million). The seventh progress report from the administrators was issued on 10 February 2011. As the report does not suggest any changes to the total amount estimated to be recovered, it is anticipated that 85 pence in the £ remains appropriate. In calculating the impairment the Fund has made the following assumptions re timing and recoveries:

April 2011	6.25%	April 2012	5.00%
July 2011	5.00%	July 2012	5.00%
October 2011	5.00%	October 2012	3.65%
January 2012	5.00%		

Recoveries are expressed as a percentage of the Fund's claim in the administration, which includes interest accrued up to 6 October 2008.

The impairment loss recognised in the Fund Account in 2010/11, £157,838 (2009/10 £475,532) has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the Fund until monies are recovered. The total amount of accrued interest in 2010/11 for both deposits is £385,653 (2009/10 £155,785)

Adjustments to the assumptions will be made in future accounts as more information becomes available.

8. INVESTMENT LIABILITIES

	2011	2010	01.04.2009
	£000	£000	£000
Investment Liabilities			
Amounts due to stockbrokers	37,114	5,607	22,413

9. INVESTMENT MANAGEMENT EXPENSES

Fees paid to the eleven major investment managers amount to £9.2 million (2009/10 £8.2 million) and constitute the bulk of the figure of £10.3 million (2009/10 £9.7 million) investment management expenses. Charges vary between fund managers and between markets and types of security. Charges are calculated as a percentage of the value of the investments. Internal investment management expenses are also included here.

10. NON CURRENT ASSETS

	2011	2010	01.04.2009
	£000	£000	£000
Non Current Assets	30,844	15,670	11,545
Relating to:			
Central Government Bodies	-	-	
Other Local Authorities	22,502	12,792	
NHS Bodies	-	-	
Public Corporations and Trading Funds	6,785	964	
Bodies external to Central Government	1,557	1,914	
	30,844	15,670	

Payments are being received in respect of pensioner and deferred members of the Magistrates Courts, which was previously an active employer in the Fund. Year 1 is shown as a current asset, but years 2 - 10 have been discounted at a rate of 4% and are included above. Also discounted are future payments of pension strain to be paid by employers in 2012/13 onwards.

11. CURRENT ASSETS AND LIABILITIES

	2011		2010		01.04.2009	
Assets	£000	£000	£000	£000	£000	£000
Contributions due	24,280		17,687		20,885	
Amounts due from external managers	10,831		-		-	
Accrued and outstanding investment income	1,582		234		847	
Transfer values receivable	3,264		1,700		2,357	
Retirement Grants paid in advance	36		1,726		-	
Sundries	9,836		9,039		6,071	
Provision for bad debts	(50)		(149)		(473)	
Cash at bank	807		724		725	
		50,586		30,961		30,412
Relating to:						
Central Government Bodies	950		1,006			
Other Local Authorities	19,946		15,720			
NHS	-		-			
Public Corporations and Trading Funds	2,559		2,395			
Bodies external to Central Government	27,131		11,840			
		50,586		30,961		
Liabilities						
Transfer values payable	-		-		-	
Retirement Grants due	4,408		1,647		4,080	
Provisions	873		596		541	
Miscellaneous	10,705		10,673		5,365	
		15,986		12,916		9,986
Relating to:						
Central Government Bodies	2,737		1,885			
Other Local Authorities	3,564		3,025			
NHS	-		-			
Public Corporations and Trading Funds	855		277			
Bodies external to Central Government	8,830		7,729			
		15,986		12,916		
Total Current Assets and Liabilities		34,600		18,045		20,426

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

"Provision for Bad Debts" relates to property rental income.

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

The breakdown of assets and liabilities as at 1 April 2009 has not been disclosed with regards to what bodies they relate to as a different information system was in use at that time and this information was not a requirement.

12. COMMITMENTS

Commitments for investments amounted to £187.69 million as at 31 March 2011 (2009/10 £194.02 million). These commitments relate to Private Equity £104.16 million, Infrastructure & Opportunities £49.57 million and Indirect Property £33.97 million. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

13. RELATED PARTY TRANSACTIONS

There are three groups of related parties: transactions between Wirral Council, as Administering Authority, and the Fund, between employers within the Fund and the Fund, and between Members and Senior Officers and the Fund.

Administration and investment management costs include charges by Wirral Council in providing services in its role as administering authority to the Fund, which amount to £4.876 million. (2010 £3.838 million). Such charges principally relate to staffing required to maintain the pension service. Central, finance and IT costs are apportioned to the Fund on the basis of time spent on Fund work by Wirral Council.

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions in respect of March 2011 payroll are included within the debtors figure in note 10.

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

Liverpool City Council, Knowsley Council, Sefton Council and St Helens Borough Council, all of whose Councillors may become scheme members, Wirral Council, Liverpool John Moores University, CDS Housing, Greater Hornby Homes and Wirral Partnership Homes. The value of the transactions with each of these related parties, namely the routine monthly payments to the Fund of employers' and employees' contributions, is determined by the LGPS Regulations, and as such no related party transactions have been declared.

Patrick Dowdall, Investment Manager - Alternatives, acts in an un-remunerated advisory capacity on 5 investment bodies in which the Fund has an interest, Standard Life (£9.1 million), F&C (£4.3 million) and Zeus (£1.9 million), by whom travel expenses and accommodation were paid, plus Key Capital (£2.1 million) and Enterprise (£0.3 million). As such no related party transactions have been declared."

Philip Hebson, former Senior UK Investment Manager, who left the Fund in the second half of the year, is a non-executive director of Aberdeen Private Equity Fund, in which the Fund is invested, and for which role he received a fee.

14. SUMMARY OF MANAGERS' PORTFOLIO VALUES AT 31 MARCH 2011

	2010-11		2009-10	
	£m	%	£m	%
Externally Managed				
JP Morgan (European Equities)	192	3.8	177	3.8
UBS (US Equities)	417	8.2	381	8.1
Nomura (Japan)	201	4.0	204	4.4
Nomura (Pacific Rim)	-	-	182	3.9
Nomura (Emerging Markets)	-	-	260	5.6
Schroders (Fixed Income)	189	3.7	177	3.8
Legal & General (Pooled Assets - UK Equities & Index Linked)	859	16.8	940	20.1
Legal & General (Fixed Income)	195	3.8	183	3.9
Unigestion (European Equities)	147	2.9	138	2.9
M&G (UK Equities)	167	3.3	146	3.1
M&G (Global Emerging Markets)	134	2.6	-	-
TT International (UK Equities)	148	2.9	139	3.0
Blackrock (UK Equities)	165	3.2	143	3.1
Blackrock (Pacific Rim)	110	2.2	-	-
Newton (UK Equities)	135	2.7	122	2.6
Amundi (Global Emerging Markets)	139	2.7	-	-
Maplebrown Abbot (Pacific Rim Equities)	104	2.0	-	-
	3,302	64.9	3,192	68.3
Internally Managed				
UK Equities	481	9.4	467	10.0
European Equities	144	2.8	132	2.8
Property (Direct)	252	5.0	210	4.5
Property (Indirect)	172	3.4	88	1.9
Private Equity	241	4.7	192	4.1
Hedge Funds	225	4.4	231	4.9
Infrastructure	38	0.8	-	-
Opportunities	115	2.3	87	1.9
Short Term Deposits & Other Investments	117	2.3	76	1.6
	1,785	35.1	1,483	31.7
	5,087	100.0	4,675	100.0

Nomura as at 31 March 2010 had a mandate for Japanese, Pacific Rim and Emerging Markets equities. Following a tender exercise they were retained for Japanese, but Blackrock and Maplebrown Abbot were appointed for Pacific Rim and Amundi and M&G for Emerging Markets.

15. ADDITIONAL VOLUNTARY CONTRIBUTION INVESTMENTS

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

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

The aggregate amounts of AVC investments are as follows:

	2010-11	2009-10
	£000	£000
Equitable Life	2,898	3,100
Standard Life	6,035	6,834
Prudential	4,079	4,400
	13,012	14,334
Changes during the year were as follows:		
Contributions	1,705	1,575
Repayments	3,544	1,879
Change in market values	517	1,863

16. COMPENSATORY ADDED YEARS (CAYs)

In previous years' accounts, payments of CAY's to pensioners, and the equivalent recharge to the employers who granted these additional payments were included within the figures of Benefits Payable (Note 4 to the accounts) and "Contributions Receivable" (Note 3 to the accounts). Since the implementation of the LGPS (Miscellaneous) Regulations 2009 SI 3150, into force 31 December 2009, this has been technically incorrect. As it is now unlikely that employers will take up the option within those regulations to convert current rechargeable CAY benefits into Scheme Pension or additional pension, these transactions are now shown outside the accounts as a separate note. A prior period adjustment has been made in respect of the financial year ended 31 March 2010

	2010-11	2009-10
	£000	£000
Received from Employers	11,560	12,183
Paid as Benefits	11,560	12,183
Net Impact of MPF Accounts	-	-

17. INVESTMENT RISK

In order to achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by matching assets to liabilities via an Asset Allocation exercise. During the year, MPF targeted a 79% exposure to "growth" assets, such as equities, property and alternatives, and 21% to "matching" assets, such as UK bonds or gilts which provide the best match for liabilities, i.e. payments of benefits to members in future years. Risks in growth assets include issuer risk and market risk (the greatest risks) which are mitigated by diversification across asset classes, markets and sectors. Mitigating interest rate risk and inflation risk points to significant investment in bonds, but doing so at the expense of "growth" assets would increase the costs of funding. "Matching assets" backed by the UK Government are considered low risk. However, corporate bonds carry some additional issuer risk.

18. FINANCIAL PERFORMANCE

The Pension Fund is administered under a budget that is approved by Pensions Committee each January. That budget is reviewed and, if appropriate, revised the following January, based on the known and anticipated pattern of expenditure and market movements. In January 2010 a budget of £13.81million was approved for the financial year 2010/11. This was revised in January 2011 to £13.85million.

The two main elements of the budget were salaries and related costs of £2.96million and external investment management fees of £7.92million. The final accounts for the year ended 31 March 2011 indicate expenditure levels of £4.78million on administration costs overall and £10.3million on all investment management expenses. The primary reason for the increase in administration costs from the 2010 level of £3.96million is the payment of one-off severance costs plus the associated pension strain costs of reductions in staffing levels. Investment management expenses include, as its main element, external managers' fees, but also cover custodian fees, advisors fees and performance measurement fees. Fees of external managers and the Fund's custodian are on an ad valorem basis, and will therefore vary as the size of each portfolio changes. The marginal overspend on external manager fees reflects the increase in the value of the Fund during the year. In addition, in the final accounts, the salaries and related expenses of the internal investment team are, in accordance with the Pensions Statement of Recommended Practice (the SORP), shown within investment management expenses."

There is no budget as such for The Fund itself. The payment of pensions is in accordance with the Regulations. Receipts of employers' contributions are in accordance with the Triennial Valuation. Consequently, basic pensions transactions, e.g. income from employers and employees contributions, benefits payable, transfers in and out are only contained in the fund account, and do not form part of the budget. However, the scale and timing of such transactions are taken into account for cash flow management purposes.

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2010/11 no such charges were levied.

19. BACKGROUND INFORMATION

Merseyside Pension Fund operates the Local Government Pensions Scheme (LGPS) which provides for the occupational pensions of employees (other than teachers, police officers and fire fighters) of the local authorities within the Merseyside Area. The current contributing employers are shown below. As at 31 March 2011, there were 48,323 active members (March 2010 50,776), 42,454 pensioners and dependents (March 2010 40,935), and 30,946 deferred beneficiaries (March 2010 28,848).

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2010/11 included 10 councillors from Wirral Council, the Administering authority, plus one councillor from each of the 4 other Borough Councils, and one member representing the other employers in the scheme. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by the Investment Monitoring Working Party, which includes an external adviser and a consultant. In 2010/11 a Governance and Risk Working Party was established.

The Pensions Committee annually reviews its Statement of Investment Principles. The principles ensure that the Fund's investments would continue to be determined by all relevant considerations including the Council's fiduciary duty to employing bodies and the Council taxpayer, rate of return, risk, environmental, social and governance considerations rather than a blanket policy of disinvestment from any specific industry or sector. The latest review was in March 2010, and is available on the Fund's website: merseysidepensionfund.org.uk.

Under the LGPS Regulations, employer contributions are calculated by the Fund's actuary, having regards to the assumptions and methodology set out in the Fund's Funding Strategy Statement (FSS). The most recent Triennial Valuation by the actuary was as at 31 March 2010, when the funding level was 78% of projected actuarial liabilities. The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The FSS specifies a maximum period for achieving full funding of 25 years.

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

The table below sets out the summary of the market (gilts) yields at the valuation date, together with the yields at the date of the previous valuation:

	31-Mar-2010	31-Mar-2007
Long-dated gilt yield	4.50%	4.40%
Long-dated index-linked gilt yield	0.07%	1.30%
Market expectation for inflation (long term)	3.80%	3.10%

The assumptions to which the valuation results are particularly sensitive are:-

	2010 Funding Target
Investment Return pre-retirement	6.50%
Investment Return post-retirement	5.50%
Salary increases	4.50%
Pension increases in payment	3.00%
Non-retired members mortality	Pension Annuity 92 Medium Cohort Year of Birth tables + 2 years
Retired members mortality	Continuous Mortality Investigation (CMI) Self-Administered Pension Schemes (SAPS) tables with scheme and member category specific adjustments

The outcomes of the next Triennial Valuation, as at March 2013 are expected in the autumn of 2013.

MERSEYSIDE PENSION FUND**Accounts for the year ended 31 March 2011****Statement by Consulting Actuary**

This is the statement required under Regulation 34(1) (d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014. The results of the valuation are contained in our report dated 30 March 2011.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £4,706 million represented 78% of the Funding Target of £6,016 million at the valuation date. The valuation also showed that a common rate of contribution of 11.6% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

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

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report dated 30 March 2011. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

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

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate):	6.5% per annum	6.75% per annum
- pre retirement	5.5% per annum	6.75% per annum
- post retirement		
Rate of pay increases:	4.5% per annum	4.5% per annum

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.0% per annum	3.0% per annum

The assets were assessed at market value.

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

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a. both before and after retirement, rather than the rates as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £6,381 million.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% p.a. both before and after retirement. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £5,877 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2011

Scheme Employers with Active Members as at 31 March 2011**Scheduled Bodies**

Academy of St Francis
Arena & Convention Centre Liverpool
Belvedere Academy
Birkenhead Sixth Form College
Carmel College
Enterprise South Liverpool Academy
Halewood Parish Council
Hugh Baird College
King George V College
Knowsley Community College
Knowsley M.B.C.
Knowsley Parish Council
Liverpool City Council
Liverpool Community College
Liverpool John Moores University
Merseyside Fire & Rescue Authority
Merseyside Integrated Transport Authority (MITA)
Merseyside Passenger Transport Executive (MPTE)
Merseyside Police Authority
Merseyside Valuation Tribunal
Merseyside Waste Disposal Authority
National Probation Service
North Liverpool Academy Ltd
Prescot Town Council
Rainford Parish Council
Rainhill Parish Council
Sefton M.B.C.
Southport College
St. Helens Community College
St. Helens M.B.C.
Whiston Town Council
Wirral Council
Wirral Metropolitan College

Admission Bodies

Age UK – Liverpool
Arriva North West
Arvato Government Services
Association of Police Authorities
Balfour Beatty Workplace Ltd
Beechwood and Ballantyne Housing Association
Berrybridge Housing Ltd
Birkenhead Market Services Ltd
Birkenhead School (2002)
Burton Manor Residential College
Capita Symonds (Sefton)
Care Quality Commission
Catholic Children's Society
CDS Housing
Cobalt Housing Ltd

COLAS

Compass (Scolarest) Liverpool Schools
Compass (Scolarest) Wirral Schools
Comtechsa Limited
Crime Reduction Initiatives
Enterprise Liverpool Cleansing
Enterprise (Liverpool Highways) Ltd
Enterprise Liverpool Neighbourhood Grounds
Geraud Markets Liverpool Ltd
Glendale (Liverpool Parks Services) Ltd
Glenvale Transport Ltd/Stagecoach.
Graysons Restaurants Ltd
Greater Hornby Homes
Greater Merseyside Connexions
Helena Partnerships Ltd.
Higher Education European Funding Services Ltd.
Hochtief Liverpool Schools
Hochtief Wirral Schools
Kingswood Colomendy Ltd.
Knowsley Housing Trust
LACORS
Lairdside Communities Trust
Lee Valley Housing Association Ltd
Liberata (UK) Ltd.
Liverpool Association for the Disabled
Liverpool Citizens Advice Bureau
Liverpool Hope University
Liverpool Housing Trust
Liverpool Mutual Homes Ltd.
Liverpool Vision Limited
Local Government Association
Merseyside Lieutenancy
Merseyside Society for the Deaf
Merseyside Welfare Rights
Merseyside Youth Association
Mott Macdonald (M.I.S.)
Mouchel (2020 Liverpool/Parkman)
Mouchel (2020 Knowsley Ltd)
North Huyton New Deal New Future
North Liverpool Citizens Advice Bureau
Novas Group
Nugent Care
One Vision Housing Ltd.
Partners Credit Union
Port Sunlight Village Trust
Sefton Education Business Partnership
Sefton New Directions Ltd.
South Liverpool Housing Ltd
Southern Neighbourhood Council
Taylor Shaw Catering (St Wilfred's RC School)
University of Liverpool
Upton Hall School
Vauxhall Neighbourhood Council

Veolia ES Merseyside & Halton
Village Housing Association Ltd
Wavertree Citizens Advice Bureau
Welsh Local Government Association
Wirral Autistic Society
Wirral Citizens Advice Bureau
Wirral Council Voluntary Service
Wirral Partnership Homes Ltd

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Glossary of Financial Terms

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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;
- The actuarial assumptions have changed.

AMORTISATION

Amortisation is the equivalent of depreciation for intangible assets.

BUDGET

Statement of spending plans for the year.

BUSINESS RATES (also NON DOMESTIC RATES)

A levy on businesses based on national "rateable value" of the premises occupied. NDR is collected by the Council in line with national criteria, paid into a national pool and then redistributed to all local and police authorities on the basis of population.

CAPITAL EXPENDITURE

Expenditure on the acquisition of an asset or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

CAPITAL RECEIPTS

Money received from the disposal of land and other assets, and for the repayment of grants and loans made to the Council.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

This Institute produces Standards and Codes of Practice that must be followed in preparing the Council's financial statements.

CODE OF PRACTICE

Local Authorities in England must comply with the Code in preparing their financial statements.

COLLECTION FUND

Accounts required to be kept by the Council to record all income collected from Local taxpayers, showing how this is passed on to other Local Authorities and Central Government.

CREDITORS

Organisations and individuals to whom the Council owes money.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT

Curtailments show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

DEBTORS

Organisations and individuals who owe money to the Council.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme where the scheme's rules define the benefits.

DEPRECIATION

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

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

For the Pension Fund the average rate of return, including both income and changes in fair value net of scheme expenses, expected over the remaining life of the asset.

GENERAL FUND

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

GOVERNMENT GRANTS

There are two types of grant. Specific grants are for particular services such as Education. Others are non-specific and support of local services generally.

IMPAIRMENT

A reduction in the value of a fixed asset below the amount in the Balance Sheet.

INTANGIBLE ASSETS

Capital spend on items such as software licenses.

MINIMUM REVENUE PROVISION (MRP)

The amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

NATIONAL NON-DOMESTIC RATES (NNDR)

Another name for non-domestic rates.

NET BOOK VALUE

The amount at which assets are included in the Balance Sheet i.e. their historical cost or current value less the cumulative amount provided for depreciation.

NET EXPENDITURE

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

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.

PROVISIONS AND RESERVES

Amounts set aside in one year to cover expenditure in the future.

REVENUE EXPENDITURE

This is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

This represents capitalisable items of expenditure where no asset exists but where the cost is to be amortised to revenue.

REVENUE SUPPORT GRANT (RSG)

This is a Government grant 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.

SCHEME LIABILITIES

The liabilities of the Pension Fund for outgoings due in the future. Scheme liabilities reflect the benefits that the employer is committed to provide for service up to a set date.

SPECIFIC GOVERNMENT GRANTS

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

UNAPPORTIONABLE CENTRAL OVERHEADS

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

USEFUL LIFE

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

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Further Information and Feedback

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FURTHER INFORMATION AND FEEDBACK

Wirral Council produces the following documents that relate to its plans and finances. Copies of all these documents are available on the Wirral website at www.wirral.gov.uk

CORPORATE PLAN

This document sets out the Council's strategy and direction for the next 5 years.

COUNCIL TAX EXPLAINED

This booklet is issued annually with the Council Tax bills and sets out the plans for the coming year.

STATEMENT OF ACCOUNTS

We welcome your comments on the Statement of Accounts and the information it contains. They will be used to improve future publications.

Was the document useful in helping you understand the Council's finances?

YES

NO

Would you like to see more information?

YES

NO

Please write any other comments below:

Please send any responses to Jenny Spick at Financial Services Division, Finance Department, Treasury Building, Cleveland Street, Birkenhead, CH41 6BU.
E-mail: jennyspick@wirral.gov.uk Phone 0151 666 3582