



## **Statement of Accounts 2006-07**

These statements demonstrate the financial performance of Wirral Council for the financial year ending 31 March 2007

These draft accounts are subject to external audit scrutiny

June 2007



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## EXPLANATORY FOREWORD - By the Director of Finance

### 1. ABOUT THE STATEMENT OF ACCOUNTS

- 1.1 The Statement of Accounts which follow demonstrate the Council's financial performance for the year ended 31 March 2007 and show the financial position at the end of that period. The Statement of Accounts have been prepared and presented in accordance with the prescribed guidance, Code of Practice on Local Authority Accounting and Reporting Standards.
- 1.2 The purpose of this foreword is to provide an explanation in overall terms of the Council's financial position including the main influences on the accounts. It is to assist in the interpretation of the accounting statements.
- 1.3 As far as possible plain language has been used in this publication, except where the use of technical language is required for the definition of accounting terms. A summary set of accounts highlighting the main information contained within the Statement of Accounts, is also published on the Councils' website at [www.wirral.gov.uk](http://www.wirral.gov.uk)
- 1.4 A brief description of the main statements and areas covered in this document are detailed below:
- Statement of main principles, accounting policies and estimation techniques-this sets out the basis of the figures presented in the accounts.
  - Statement of responsibilities for the Statement of Accounts - this outlines the responsibilities of the Council and the Director of Finance in preparing the accounts.
  - Auditors Report - the independent auditors report on the Statement of Accounts.
  - The main financial statements comprise 5 key statements. The Income and Expenditure Account is the Councils' main account showing how the money is spent and how it is financed. The Statement of movement on the General Fund Balance and the Statement of total recognised gains and losses show how the level of Council balances have changed. The Balance Sheet shows the financial standing of the Council at 31 March detailing all assets and liabilities. The Cash flow statement shows the inflows and outflows of cash arising from transactions with other parties.
  - The notes to the statements provide further detail and explanation of the items contained within the financial statements.
  - Additional financial statements. The Housing Revenue Account is included for the final time following the transfer of the Council housing stock and shows income and expenditure on housing services provided by the Council. The Collection Fund gives details of the Council Tax and Non-Domestic Rates collectable and paid to the precept authorities and the national Non-Domestic Rate pool.
  - Statement on the System of Internal Control - this details how the Council has ensured the effectiveness of its systems for ensuring that it operates within the law and ensuring public money is properly used and accounted for.
  - Pension Fund - this shows the financial position of the Merseyside Pension Fund.
  - Glossary of Financial Terms - explains the technical terms contained within the statement.
- 1.5 The format of the statements set out in section 6 are substantially changed from the statements produced in 2005-06 and previous years. Essentially the new format Statement of Accounts for 2006-07 replaces the previously Consolidated Revenue Account and the Statement of total movements on reserves with the Income and Expenditure Account, Statement of the movement on the General Fund Balance and the Statement of recognised gains and losses. To comply with accounting practices the 2006-07 Statement of Accounts has required parts of the 2005-06 accounts to be restated to follow this new format and other changes required as by the SORP.

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

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

- 2.1.1 This represents the spending on services provided to the people of Wirral and met from Central Government Grants and the local taxpayer through the Council Tax. For 2006-07 the increase in Council Tax was 4.5%. The Council spent approximately £250 million on providing services in 2006-07 which is met from a combination of Government Grants, Non-Domestic Rates and Council Tax. This total now excludes support for Schools which is funded by a separate Government Grant (Dedicated Schools Grant) for which Wirral received £171 million in 2006-07.
- 2.1.2 Further details can be found within Section 6 of this statement which shows that during the year the Council increased its balances from £1.8 million to £11.5 Million. This was largely through a combination of releasing a number of reserves and success in obtaining additional grants. In particular the resolution of the long-standing issue with the Department for Work and Pensions over the payment of housing benefit subsidy and the continuing improvements in terms of the management of risk and insurance enabled previously earmarked resources to be returned to general balances.
- 2.1.3 The Council regularly monitors the financial position and, in particular, those areas most prone to variation. The areas experiencing greatest pressure during the year were those relating to care services and cultural services. Demand for care services for both adults and children continues to exceed resources. This was recognised by the Council in allocating additional resources to these areas although both overspend by the end of 2006-07. During the year pressures within cultural services saw an additional £1.9 million allocated from balances whilst resources were also made available for the new waste collection, recycling and street cleaning (Streetscene) contract. Careful financial management and control of the cash flow position allied with successful bids for external grant funding to support the capital spend helped deliver savings in treasury management activities. Overall the Council then underspent its forecasted level of spend which further added to the balances.
- 2.1.4 The Council transferred its housing stock to Wirral Partnership Homes and Beechwood & Ballantyne Community Housing Association on 7 February 2005. The Secretary of State granted approval to close the Housing Revenue Account (HRA) with effect from the 27 March 2007. As per the transfer agreement the sums remaining in the HRA are to be placed in the Community Fund to be used by the Council and Wirral Partnership Homes for housing improvements and regeneration schemes on Wirral.

### **2.2 CAPITAL EXPENDITURE AND INCOME**

- 2.2.1 During 2006-07 £65 million was spent on capital projects. This was primarily on the acquisition or improvement of assets and infrastructure. In respect of education services the £17 million programme included modernisation and improvement works to schools and the continued programme of investment into Children's Centres. Regeneration spend was in excess of £30 million. The NewHeartlands Housing Market Renewal Initiative continues with the major programme to address the targeted areas in Birkenhead and Wallasey whilst the restoration works to Birkenhead Park are now virtually completed. Almost £13 million was spent on improvements to highways, bridges and road safety projects.
- 2.2.2 The main source of funding comes from various grants which are allocated by Central Government for specific schemes or projects such as the investment into Children's Centres or the NewHeartlands programme. In 2006/07 grants provided £43 million to fund the total spend of £65 million. The balance being met from a combination of borrowing and the use of capital receipts generated from the sale of surplus assets.

## **2.3 BALANCE SHEET**

### **2.3.1 Balances and Reserves**

The Council seeks to maintain a prudent level of balance reflecting the budgetary arrangements and should be sufficient to meet any unforeseen events. In setting the 2006-07 budget the balance was projected to be £4 million at 31 March 2007 and for the reasons outlined previously there were plans to increase this figure with some £6 million being used to set the Council Tax and budget for 2007-08. With the final spend now known for the year there has been a further increase which will be available for use in 2007-08.

When agreeing the budget for 2007-08 it was anticipated that the balance would be £4.5 million by 31 March 2008 rising to £5 million the following year. The level being based upon an assessment of the risks involved in managing the overall Council budget and recent experiences in terms of the spend compared to the budgets allocated.

Whilst the general 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. During 2006-07 substantial sums were transferred to the general balance. At 31 March 2007 £68 million was held in reserves with the major items being in respect of the Insurance Fund, housing benefit, school balances and the Community Fund.

### **2.3.2 Assets and Investments**

As part of the Council's rolling programme of valuations a further series of assets were revalued during the year with the target of completing a full evaluation by March 2008. In total the Council had fixed assets valued at £550 million at 31 March 2007 and includes land and buildings as well as infrastructure such as roads. Total investments at 31 March 2007 were £61 million with the majority of investments being on a short term basis with financial institutions. A portfolio of £1.8 million, consisting of stock market and government bonds, is held on behalf of the Insurance Fund.

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

The major sources of funding for Council borrowing have traditionally been the Public Works Loans Board and the private sector. As part of effective Treasury Management the opportunities presented by the market to generate interest savings are pursued. One area being Lender Option Borrower Option (LOBO) loans which offer low cost borrowing for agreed initial periods with options on the part of both the Council and the lender in relation to the residual, longer period, of the loan. An adjustment to reflect the fair value of these loans is now made in the accounts, which attempts to equalise the overall cost over the life of the loan.

At 31 March 2007 the long term debt totalled £270 million. £180 million with financial institutions and £90 million with the PWLB with this being spread over a range of maturity dates. Of this debt £92 million related to the former Merseyside County Council which Wirral manages on behalf of the other local authorities and agencies.

### **2.3.4 FRS 17**

All authorities have had to fully adopt the accounting policies contained with Financial Reporting Standard 17 "Retirement Benefits". The principle behind FRS 17 is that an organisation should account for retirement benefits when it is committed to give them, even if the actual payment will be many years in the future. The actuaries engaged by the Council have estimated the underlying long term commitment to pay retirement benefits to be £253 million at 31 March 2007.

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

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

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

#### **3.1 BUDGET 2007-08**

3.1.1 The Council agreed the budget for 2007-08 which included a Council Tax rise of 4.18% from 1 April 2007. This was below the 5% maximum level set by Central Government and as a result the average Band D Council Tax rose to £1,330. Wirral, which only a few years ago had the 3rd highest Council Tax in the country, now has the 224th highest Council Tax.

3.1.2 In setting the budget the Council took some difficult decisions to meet the objective of continuously improving the services whilst avoiding unnecessarily high levels of Council Tax. This has seen resources invested into the priority areas of education with £8.9 million more being spent on schools; supporting and protecting vulnerable people with £4.7 million invested in Adult Social Services; waste and recycling with £3.7 million for the new streetscene contract that commenced in August 2006 and, across a range of objectives including healthy lifestyles and reducing anti-social behaviour, £2 million invested in leisure and cultural services.

3.1.3 The ability to invest in services, and keep Council Tax affordable, has only been possible through the identification, and implementation, of a range of actions to deliver efficiencies and greater value for money. The programme of service re-engineering designed to ensure that services to the people of Wirral are delivered in the most effective way and the efficient purchasing of goods and services continues into 2007-08.

#### **3.2 FORWARD PLANS**

3.2.1 The Council produces a Corporate Plan and the Three Year Financial Strategy helps support the delivery of its aims and targets. With the Government undertaking a major review of funding for the public sector during 2007 the indications are that the financial position will come under further pressure. So there is a major financial challenge to be faced as a result of the desire to minimise Council Tax rises, to deliver services where demand and expectations are rising and to respond to the reduced funding from Central Government. These factors have resulted in a projected gap between spend and resources and an efficiency plan is currently being developed to achieve budget reductions over the period 2008-09 to 2010-11.

### **CONCLUSION**

The Statement of Accounts provides information about the Council's expenditure and income for the year and its overall financial position at the end of the financial year. In reporting on how the Council's finances have been managed and its financial position, the Statement of Accounts forms a key part of the Comprehensive Performance Assessment (CPA) process. This aims to measure the effectiveness of services being delivered and value for money being achieved.

The 2006 assessment was based upon five elements covering financial reporting, financial management, financial standing, internal control and value for money. The Audit Commission judged the Council's Use of Resources as an adequate performance and referred in their report to the authority making good progress on a number of areas which will help to improve future performance.

The Council continues to strive to promote and enhance all aspects of financial management and successfully managed its finances during 2006-07. It retains a prudent level of balances to meet any unforeseen events and there are challenges for the future in keeping Council Tax affordable whilst continuing to support the quality and improvement of the services that are provided.

IAN COLEMAN

DIRECTOR OF FINANCE

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

### GENERAL

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom : A Statement of Recommended Practice 2006 (the SORP), as recommended by CIPFA, supported by guidance notes on the application of accounting standards. The accounting convention adopted is historical cost modified by the revaluation of certain categories of tangible fixed assets. The Code of Practice specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position, and transactions of the authority and is based on approved accounting standards, except where these might conflict with specific statutory accounting requirements.

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

In doing so the authority tries to ensure that the policies adopted are the most suitable to its particular circumstances for the purpose of presenting fairly the financial position and transactions of the authority. Policies are reviewed regularly to ensure their appropriateness and are changed as necessary to maintain this position. In such cases a full disclosure will be provided.

The concepts that the authority has regard to in selecting and applying these policies and any estimation techniques are:

The qualitative characteristics of financial information

- relevance
- reliability
- comparability
- understandability
- materiality

Pervasive accounting concepts

- accruals
- going concern
- primacy of legislative requirements

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

The review and annual update of the SORP have introduced a number of revised or additional requirements for the 2006-07 financial statements. A number of changes in accounting policy have been made in 2006-07:

1. The abolition of notional interest charge to service revenue accounts.
2. Government Grant Deferred Credit to service revenue accounts- credits being posted to the relevant service account instead of the Asset Management Revenue Account which is no longer in operation.
3. Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

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

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

### Customer and client receipts

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

### Employees costs

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

### Interest

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

### Supplies and services

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

## **2. CAPITAL RECEIPTS**

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

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

## **3. CONTINGENT ASSETS AND LIABILITIES**

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

## **4. DEBT REDEMPTION**

Debt is redeemed as and when it falls due. The Local Government Act 2003 amended the rules governing debt redemption. The General Fund is required to make a repayment of not less than 4% of its share of the Capital Financing Requirement.

Amounts set aside from revenue for the payment of external loans are included within the Statement of Movement on the General Fund Balance (within the amounts required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year).

## **5. DEFERRED CHARGES**

Deferred charges represent expenditure that may be capitalised but does not result in the creation of a tangible asset. They are amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the Council. Consequently, deferred charges are normally written off as expenditure to the relevant service revenue account in the year of payment. If financed from existing capital resources or borrowing a transfer to the Capital Financing Account reverses out the amounts charged to the Income and Expenditure Account so there is no impact on the level of council tax.

## **6. DISCONTINUED OPERATIONS**

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

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

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

## **8. EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS**

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

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

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

## **9. 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.

## **10. GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS**

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Revenue grants and contributions are credited to the relevant service to match with the expenditure to which they relate. Revenue Support Grant and the contribution from National Non Domestic Rates are made to finance the general activities of the Council and are credited to the Income and Expenditure Account in the year receivable.

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

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

## **11. GROUP ACCOUNTS**

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

An assessment of the criteria for the completion of group accounts has been undertaken and the conclusion reached that there was no requirement to produce such accounts.

## **12. INTANGIBLE ASSETS**

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

Local authorities do not carry out research and development of the type envisaged by the SSAP and do not acquire or hold goodwill. As such these two categories are not relevant to local authorities financial statements. Other intangibles would include the purchase of software licences. These have been capitalised at cost and will be amortised over their economic lives with the provision for amortisation charged to service revenue accounts. They have been reviewed for impairment at the end of the first full financial year following their acquisition.

## **13. INVESTMENTS**

On a day-to-day basis surplus funds are invested primarily with banks, other public bodies and building societies. Certain balances e.g. school and trust funds are also invested internally with the Consolidated Loans and Investment Account.

Interest generated is credited to the General Fund or the specific reserve/provision. Investments are shown at cost in the Balance Sheet. A number of external investments in listed companies and gilts are held on behalf of the Insurance Fund e.g. Treasury Stock. These are shown at cost less any provision for loss in value where the current market price is less than the original book cost.

## **14. LEASING**

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

## **15. NON DISTRIBUTED COSTS**

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

## **16. OVERHEADS**

In line with the SORP charges or apportionments for the costs of support services are made to all users. Support service costs are allocated using the most appropriate basis available for example allocated on the basis of actual time spent by staff on the various services. Other bases are computing which is allocated on the amount of central processing use and Service Level Agreements. Administrative Buildings are allocated on the basis of area occupied. The costs of the corporate and democratic core and of non distributed costs are each allocated to a separate objective expenditure head and are not apportioned to other expenditure heads.

## **17. PRIVATE FINANCE INITIATIVE**

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

## **18. PROVISIONS**

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

Provisions are charged to an appropriate revenue account. When payments for expenditure are incurred to which the provision relates they are charged directly to the provision. They are reviewed at the balance sheet date and adjusted as necessary to reflect the current best estimate.

The principal provisions relate to bad debts and insurance. The former, however, have been deducted from debtors in the Balance Sheet, rather than being shown in provisions. 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 included 2005-06, with a deduction for any payments made in 2006-07. The provision in respect of account year 2006-07 is greater than indicated by the actuaries, as officers consider that the study was undertaken at the most favourable point in recent claims history and that an allowance for a slight deterioration in the Council's experience was justified to compensate for this. The same figures were used in establishing the ultimate premium contributions required from the departments for 2006-07.

## **19. REPURCHASE OF BORROWING**

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

For the Council this is shown on the balance sheet as deferred revenue expenditure. This is the balance on premiums arising on the premature repayment of long term debt prior to 31 March 2004. Any premiums associated with the subsequent repurchase or early settlement of borrowing have been charged to revenue or capital receipts in the year in which they occur. Should any repurchase of borrowing be coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, the premiums can be written down over the life of the replacement loan.

## **20. RESERVES**

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves. Reserves include earmarked reserves set aside for specific policy purposes, and balances which represent resources set aside for purposes such as general contingencies and cash flow management. Reserves are created by appropriating amounts through the Statement of Movement on General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the net cost of services in the Income and Expenditure Account. The reserve is then appropriated back to the General Fund Balance Statement so that there is no net charge against Council Tax for the expenditure. Certain reserves are kept to manage the accounting process for tangible fixed assets and retirement benefits and they do not represent usable resources for the Council. An estimation technique applies to the Insurance Fund liability reserve which is similar to that referred to in the section on provisions.

## 21. RETIREMENT BENEFITS

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

- The Teachers Pension Scheme, administered by Capita Hartshead on behalf of the Department for Education and Skills (DfES) for teachers. The arrangements for this scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme -no liability for future payments of benefits is recognised in the balance sheet and revenue accounts are charged with the employer's contributions payable to Capital Harshead 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 2006-07 the contribution represented 15.8% of pensionable pay. The latest valuation was at 31 March 2004 and determined the contributions for the years 2005-2008.

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

With effect from 1 April 2004 all authorities have had to fully adopt the accounting policies contained with Financial Reporting Standard 17 "Retirement Benefits". The principle behind FRS 17 is that an organisation should account for retirement benefits when it is committed to give them, even if the actual payment will be many years in the future. This reflects the Councils' commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

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

Liabilities are discounted to their value at current prices, using a discount rate of 5.4% at 31 March 2007, based on the indicative rate of return on a high quality corporate bond (iBoxxSterling AA bond over a 15 year index).

Changes in market conditions during the year led to an increase from 4.9% at 1 April 2006. In the statement of actuarial gains and losses the overall gain associated with changed assumptions is £38.43m of which reflects the change in financial conditions/discount rate.

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

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

The change in the net pensions liability is analysed into seven components:

- (i) current service cost - the increase in liabilities as a result of years of service earned this year, allocated to the revenue accounts of services for whom the employees worked.
- (ii) past service costs - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to Net Cost of Services as part of Non Distributed Costs.

- (iii) interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to Net Operating Expenditure.
- (iv) expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return, credited to Net Operating Expenditure.
- (v) gains/losses on curtailments - the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the Net Cost of Services as part of Non Distributed Costs.
- (vi) actuarial gains/losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.
- (vii) contributions paid to Merseyside Pension Fund - cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there is an appropriation to and from the Pensions Reserve to remove the notional debits and credits for retirements 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.

**Discretionary benefits:**

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

**Change to the Local Government Pension Scheme :**

The provisions of LPGS were changed during the year, following the introduction of the Local Government Pension Scheme (Amendment) Regulations 2006 and the Local Government Pension Scheme (Amendment) (No. 2) Regulations 2006. The Regulations most significantly remove the "rule of 85" retirement provisions with effect from April 2008, under a "new look" LGPS. However, this change will only affect benefits accruing from that date onwards, and so it is not relevant to 2006-07 accounting disclosures. The Regulation changes also removed the "rule of 85" provisions for new entrants from 1 October 2006. This does not materially affect the 2006-07 figures.

**22. STOCKS**

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

**23. TANGIBLE FIXED ASSETS**

Recognition:

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

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

Measurement:

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified according to the Code of Practice on Local Authority Accounting 2006.

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

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

In accordance with CIPFA guidance all assets, with the exception of infrastructure, were revalued by the end of March 2003. Qualified valuers employed within the Department of Corporate Services using the valuation techniques referred to above undertook the valuation exercise. A further valuation of all assets will be undertaken on the basis of a rolling programme by March 2008. Increases in valuation are matched by credits to the Fixed Asset Restatement Account to recognise unrealised gains.

#### Impairment:

The value of each category of assets is reviewed at the end of each reporting period to assess whether there is any evidence of impairment loss. This would arise, for example, from a significant decline in the asset's market value, evidence of obsolescence or physical damage, a change in the regulatory environment within which the authority operates or a commitment to undertake a significant re-organisation. Where an impairment loss has occurred due to a clear consumption of economic benefits the loss is charged to the relevant service revenue account. Other types of impairment loss are written off against the Fixed Asset Restatement Reserve.

#### Depreciation:

Depreciation is charged on all assets with a finite useful life apart from non-depreciable land and non operational investment properties. It is calculated on the amount at which the asset is included in the balance sheet less an estimate for its residual value.

#### Disposals:

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal).

Amounts in excess of £10,000 are classified as capital receipts. Such receipts from disposals are accounted for on an accruals basis and credited to the Usable Capital Receipts Reserve. A proportion of receipts relating to housing disposals are paid over to Central Government as a 'housing pooled capital receipt'. This is charged to the Net Operating Cost section of the Income and Expenditure Account and the same amount appropriated from the Usable Capital Receipts Reserve and credited to Statement of Movement on the General Fund Balance. Upon disposal the net book value of the asset is written off to the Fixed Asset Restatement Account.

#### Charges to Revenue for Fixed Assets:

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

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

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



Merseyside Residuary Debt Fund (MRDF)

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

**24. VALUE ADDED TAX (VAT)**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them. VAT is included in income and expenditure accounts, whether of a capital or revenue nature only to the extent that it is irrecoverable.

**25. WORK IN PROGRESS**

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

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

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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

The Authority is required to:-

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

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

The Director of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

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

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

The Director of Finance has also :-

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

I certify that the Statement of Accounts presents fairly the financial position of Wirral Council at 31 March 2007 and its income and expenditure for the year ended 31 March 2007.

**Ian Coleman**

**Director of Finance**

**Date:**

**SIGNATURE OF APPROVAL**

In line with the Accounts and Audit Regulations 2003 I confirm that these accounts were approved by the Audit and Risk Management Committee at the meeting held on 28 June 2007.

Signature:

Signed on behalf of Wirral Council:

Chair of Audit and Risk Management Committee

Date:

**AUDITOR'S REPORT TO WIRRAL COUNCIL**

***AUDITOR'S REPORT TO BE INCLUDED POST AUDIT***

## THE INCOME AND EXPENDITURE ACCOUNT

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

To give a full picture of the financial performance of the Council during the year and the spending power at its disposal at 31 March 2007 the balance on the Income & Expenditure Account needs to be reconciled in the Statement of Movement in the General Fund balance to the amount calculated by the relevant statutory provision.

2005-06 Net Revenue Expenditure £000	Service	Gross Expenditure £000	2006-07 Gross Income £000	Net Revenue Expenditure £000
<b>Continuing Operations:-</b>				
5,237	Central Services to the Public	5,586	1,570	4,016
514	Court & Probation Services	395	-	395
49,880	Cultural, Environmental & Planning	68,659	22,443	46,216
193,040	Education Services	307,555	274,175	33,380
28,479	Highways, Roads & Transport	36,399	5,574	30,825
9,243	Housing Services	134,176	131,208	2,968
103,196	Social Services	154,259	41,224	113,035
4,076	Corporate & Democratic Core	4,061	12	4,049
(8,396)	Non Distributed Costs	2,680	-	2,680
<b>385,269</b>	<b>Net Cost of Continuing Operations</b>	<b>713,770</b>	<b>476,206</b>	<b>237,564</b>
<b>Discontinued Operations:-</b>				
575	Housing Services	154	276	(122)
<b>385,844</b>	<b>Net Cost of Services</b>			<b>237,442</b>
80	(Gain)/Loss on sale of fixed assets			(2)
22	(Surplus)/deficit on trading undertakings			(31)
9,522	Interest payable and similar charges			9,428
301	Contribution of housing capital receipts to Government Pool			123
22	Investment (gains)/losses			(106)
(3,477)	Interest and investment Income			(3,464)
8,899	Pensions interest costs and expected return on pensions assets			6,515
<b>401,213</b>	<b>Net Operating Expenditure</b>			<b>249,905</b>
(110,062)	Demand on the Collection Fund			(115,188)
(1,207)	- Surplus from previous year			(1,464)
(177,443)	Revenue Support Grant			(21,932)
(5,471)	Private Finance Initiative Non Specific Grant			(5,471)
(104,587)	Distribution from Non-Domestic Rate Pool			(109,721)
(919)	Local Authority Business Growth Incentive Grant			(1,266)
-	Local Performance Service Agreement Reward Grant			(1,785)
<b>1,524</b>	<b>(Surplus)/Deficit for the year</b>			<b>(6,922)</b>

The 2006-07 financial year saw the introduction of the Dedicated Schools Grant. Formerly included as part of the RSG settlement this ring-fenced grant is credited directly to Education Services. The Council received £171m in 2006-07 which accounts for the majority of the variance in Education net expenditure and also the difference in the Revenue Support Grant.

## STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

2005-06 £000		2006-07 £000
1,524	(Surplus)/Deficit for the year on the Income and Expenditure Account	(6,922)
(1,803)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year	(2,790)
(279)	Increase in General Fund balance for the year	(9,712)
(1,489)	General Fund balance b/fwd	(1,768)
(1,768)	General Fund balance c/fwd	(11,480)

The balance on the General Fund is available for new expenditure. The amounts relating to balances held by schools under schemes to finance schools are accounted for as ear marked reserves and not included in the General Fund balance.

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

2005-06 £000		2006-07 £000
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:-</b>		
(15,292)	Depreciation and Impairment of General Fund fixed assets	(17,816)
2,212	Government grants deferred amortisation	2,868
(2,886)	Write down of deferred charges financed from capital resources	(750)
0	Write down of deferred debtors written off financed from capital resources	0
(80)	Net loss/gain on sale of fixed assets	2
(20,319)	Net charges for retirement benefits FRS17	(32,806)
(1,812)	Private Finance Initiative	(1,812)
<b>(38,177)</b>		<b>(50,314)</b>

**Amounts not included in Income and Expenditure but required to be included by statute when determining the movement on the General Fund for the year:-**

4,960	Minimum Revenue Provision	6,103
2,615	Capital expenditure charged to revenue	958
(301)	Transfer from useable capital receipts re payment to the Pool	(123)
	Employers contributions to the pension fund and retirement benefits	
<u>22,859</u>	Payable direct to pensioners	<u>25,277</u>
<u><b>29,473</b></u>		<u><b>32,215</b></u>

**Transfers to or from General Fund Balance required to be taken into account when determining movement on General Fund Balance:-**

(1,519)	Surplus transferred to HRA	129
<u>7,760</u>	Net transfer to/from earmarked reserves	<u>15,180</u>
<u><b>6,901</b></u>		<u><b>15,309</b></u>

<u><b>(1,803)</b></u>	<b>Net Amount Required to be Credited to the General Fund Balance for the Year</b>	<u><b>(2,790)</b></u>
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## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

<b>2005-06</b> <b>£000</b>		<b>2006-07</b> <b>£000</b>
1,524	(Surplus)/Deficit for the year on the Income and Expenditure Account	(6,922)
59,882	(Surplus)/Deficit arising on the revaluation of fixed assets	(32,708)
2,781	Actuarial (gains)/losses on pension fund assets and liabilities	(38,255)
(494)	Other (gains) & losses required to be included	8,199
887	(Surplus)/Deficit on the Collection Fund relating to Wirral	2,418
<b><u>64,580</u></b>	<b>Total Recognised (gains)/losses for the year</b>	<b><u>(67,268)</u></b>

## BALANCE SHEET

2005-06 £000	<b>Fixed Assets (Note 17)</b>	2006-07 £000	£000
	Operational Assets: -		
1,173	- Intangible Fixed Assets	1,026	
381,191	- Other Land and Buildings	418,301	
1,616	- Vehicles, Plant and Equipment	2,761	
57,218	- Infrastructure Assets	66,884	
37,814	- Community Assets	38,861	
<u>479,012</u>		<u>527,833</u>	
	Non-Operational Assets		
6,454	- Investment	8,515	
4,456	- Surplus	7,252	
4,174	- Construction	6,761	
<u>15,084</u>		<u>22,528</u>	
45,889	Deferred Consideration (Note 26)	44,077	
6,985	Deferred Revenue Expenditure (Note 27)	6,753	
3,325	Long-term Investments (Note 28)	3,319	
85,652	Long-term Debtors (Note 29)	80,701	
<u>141,851</u>		<u>134,850</u>	
<u><u>635,947</u></u>	<b>Total Long-Term Assets</b>	<u><u>685,211</u></u>	
	<b>Current Assets</b>		
422	- Stocks and Work in Progress (Note 30)	412	
70,442	- Debtors (Note 31)	68,575	
58,146	- Investments (Note 28)	65,500	
4,516	- Cash and Bank	8,330	
<u>133,526</u>		<u>142,817</u>	
	<b>Current Liabilities</b>		
25,425	- Short Term Borrowing (Note 32)	13,059	
66,295	- Creditors (Note 33)	67,302	
<u>91,720</u>		<u>80,361</u>	
<b>677,753</b>	<b>Total Assets Less Current Liabilities</b>	<b>747,667</b>	
260,715	Long-term Borrowing (Note 34)	269,725	
149,762	Government Grants-Deferred	174,262	
4,366	Deferred Credits (Note 36)	2,102	
6,517	Provisions (Note 35)	8,643	
253,094	Liability Related to Defined Benefit Pension Scheme (Note 42)	222,368	
<u>674,454</u>		<u>677,100</u>	
<b>3,299</b>	<b>Total Assets Less Liabilities</b>	<b>70,567</b>	
151,267	Fixed Asset Restatement Account (Note 37)	176,648	
32,908	Capital Financing Account (Note 37)	25,481	
6,300	Usable Capital Receipts Reserve (Note 37)	10,977	
(253,094)	Pensions Reserve (Note 42)	(222,368)	
53,678	Reserves - General (Note 37)	68,858	
4,553	Major Repairs Reserve	-	
7,687	Balances (Note 38)	10,971	
<u>3,299</u>	<b>Total Equity</b>	<u>70,567</u>	

## CASH FLOW STATEMENT

2005-06		2006-07	
£000		£000	£000
	<b>REVENUE ACTIVITIES</b>		
	<b>Cash outflows</b>		
314,593	Cash paid to and on behalf of employees	342,785	
50,883	NNDR paid to the national pool	54,483	
352,058	Other operating costs	303,419	
109,275	Housing Benefit paid out	109,707	
302	Payments to the Capital Receipts Pool	124	
19,002	Precepts	18,812	
<u>846,113</u>		<u>829,330</u>	
	<b>Cash inflows</b>		
111,379	Council Tax Income	108,407	
45,416	Non-Domestic rate income	54,843	
104,587	NNDR received from the national pool	109,721	
177,443	Revenue Support Grant	21,932	
106,647	DWP grants for benefits (Note 49)	117,014	
96,192	Other government grants (Note 49)	282,699	
31,155	Cash received for goods and services	31,861	
173,760	Other operating cash receipts	132,042	
<u>846,579</u>		<u>858,519</u>	
<b>(466)</b>	<b>Net Cash Flow From Revenue Activities</b>		<b>(29,189)</b>
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
	<b>Cash outflows</b>		
16,810	Interest Paid		7,466
	<b>Cash inflows</b>		
9,922	Interest Received		9,980
<b>6,422</b>	<b>Net Revenue Activity</b>		<b>(31,703)</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash outflows</b>		
71,003	Purchase of fixed assets	53,409	
1,533	Long term investments	-	
11,469	Other capital payments	16,018	
<u>84,005</u>		<u>69,427</u>	
	<b>Cash inflows</b>		
9,236	Sale of fixed assets	7,644	
49,280	Capital grants received (Note 49)	40,570	
7,817	Other capital cash receipts	4,579	
<u>66,333</u>		<u>52,793</u>	
<b>24,094</b>	<b>Net Cash (Inflow)/Outflow Before Financing</b>		<b>(15,069)</b>

2005-06  
£000

2006-07  
£000

**MANAGEMENT OF LIQUID RESOURCES**

146	Net increase/(decrease) in other short-term investments	7,354
<u>24,240</u>		<u>(7,715)</u>
	<b>FINANCING</b>	
	<b>Cash outflows</b>	
174,774	Repayments of amounts borrowed	79,030
	<b>Cash inflows</b>	
18,500	New loans raised	12,000
177,100	New short term loans	63,129
<u>(20,826)</u>	Net financing	<u>3,901</u>
<b>3,414</b>	<b>(Increase)/Decrease in Cash</b>	<b>(3,814)</b>

## NOTES TO THE MAIN FINANCIAL STATEMENTS

### 1. PRIOR PERIOD ADJUSTMENTS

#### INCOME & EXPENDITURE ACCOUNT

In the 2006-07 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005-06 in the Income and Expenditure Account.

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts and support services.
- Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item.
- Gains and losses on the disposal of fixed assets are recognised in the Income & Expenditure account

In addition the LABGI Grant has been shown separately below Net Operating Expenditure

These changes have had the following impact on the comparative figures for 2005-06 compared with those published in the 2005-06 Statement of Accounts (only figures that have changed are included in the table)

	Consolidated Revenue Account in 2005-06 Statement of Accounts £000	Removal of Capital Financing Charges £000	Relocation of Government Grants Deferred Credits £000	Recognition of Gains and Losses on Disposal of Fixed Assets £000	Other £000	2005-06 Comparatives Income & Expenditure Format £000
<b>Continuing Operations:-</b>						
Central Services to the Public	5,330	(93)	-	-	-	5,237
Court & Probation Services	676	(118)	(44)	-	-	514
Cultural, Environmental & Planning	54,315	(5,190)	(164)	-	919	49,880
Education Services	202,764	(8,348)	(1,376)	-	-	193,040
Highways, Roads & Transport	32,024	(2,927)	(618)	-	-	28,479
Housing Services	9,361	(118)	-	-	-	9,243
Social Services	104,454	(1,250)	(8)	-	-	103,196
Corporate & Democratic Core	4,137	(61)	-	-	-	4,076
Non Distributed Costs	(8,255)	(139)	(2)	-	-	(8,396)
<b>Impact on Net Continuing Operations</b>	<b>404,806</b>	<b>(18,244)</b>	<b>(2,212)</b>	<b>-</b>	<b>919</b>	<b>385,269</b>
(Gain)/Loss on sale of fixed assets				80		80
Interest payable and similar charges					9,522	9,522
Asset Management Revenue Account	(10,934)	18,244	2,212	-	(9,522)	-
<b>Impact on Net Operating Expenditure</b>	<b>393,872</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>919</b>	<b>394,871</b>

## BALANCE SHEET

There has been a change in the layout of the Balance Sheet between 2005-06 and 2006-07 Statement of Accounts which has moved items between headings. Government Grants Deferred are in 2006-07 shown in the liability section of the balance sheet. In 2005-06 this was shown under the equity section. In addition to this 3 changes in accounting treatment have meant that the comparatives have been restated:

	Consolidated Balance Sheet in 2005-06 Statement of Accounts	Adjustment due to change accounting Treatment	2005-06 Comparatives Balance Sheet
	£'000	£'000	£'000
1. Allocation of the balance on the Collection fund- the proportion of the surplus on the collection fund relating to the precepting bodies is now shown under creditors			
Creditors	60,571	308	60,879
Balances	7,995	-308	7,687
2. Amalgamation of capital grants unapplied with Creditors			
Creditors	60,571	5,416	65,987
Capital Grants Unapplied	5,416	-5,416	0
Summary of Changes 1&2 on Creditors			
Creditors	60,571		
Balances		308	
Capital Grants Unapplied		5,416	
Creditors			66,295
3. Amalgamation of Deferred Credits and Deferred Capital Receipts			
Deferred Credits	366	4,000	4,366
Deferred Capital Receipts	4,000	-4,000	0

Deferred credits is now shown in the liability section of the balance sheet as opposed to the equity section.

## 2. DISCONTINUED OPERATIONS

The Authority transferred its Housing Stock to Wirral Partnership Homes (WPH) and Beechwood and Ballantyne Community Housing Association (BBCHA) on 7 February 2005. This followed a resolution from the Council and a positive ballot of its then tenants during the spring of 2004. The 2006-07 account entries reflect work undertaken to resolve any outstanding issues and liabilities relating to the HRA.

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

For further information see the HRA statements.

## 3. DISCLOSURE OF DEPLOYMENT OF DEDICATED SCHOOLS GRANT

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

Details of DSG receivable for 2006-07 are as follows:

	<b>Schools Budget Funded by Dedicated Schools Grant</b>		
	Central Expenditure £000	Individual Schools Budget £000	Total £000
Original grant allocation to Schools	16,256	154,261	170,517
Budget for the current year in the authority's budget			
Adjustment to finalise grant allocation	441	-	441
DSG receivable for the year	<u>16,697</u>	<u>154,261</u>	<u>170,958</u>
Actual expenditure for the year	<u>(16,171)</u>	<u>(154,260)</u>	<u>(170,431)</u>
(Over)/under spend for the year	526	1	527
Planned top-up funding of ISB from Council resources	-	-	-
Use of schools balances brought forward	-	-	-
(Over)/under spend from prior year	-	-	-
(Over)/under spend carried forward to 2007-08	<u>526</u>	<u>1</u>	<u>527</u>

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

Section 137 empowers Local Authorities, subject to various conditions and limits, to incur expenditure which in their opinion is in the interest of their area or any part of it, or all or some of its inhabitants. Under this section Local Authorities are required to account separately for any such expenditure. During the year some £0.35m, compared with £0.22m in 2005-06, was spent under S137 powers.

## 5. PUBLICITY

The Council has incurred £1,435,000 during 2006-07 on publicity and advertising (£1,386,000 in 2005-06)

This is analysed below: -

	2005-06 £000	2006-07 £000
Recruitment Advertising	767	599
Publicity Advertising	426	759
Other Advertising	193	77
<b>Total</b>	<b><u>1,386</u></b>	<b><u>1,435</u></b>

## 6. TRADING OPERATIONS

The Council has established a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of the major units are shown below :-

	£000	£000
The Council operates its <b>Highways Services</b> on the basis of an agreement between the service provider and the Director of Technical Services – the trading objective is to break even.	Turnover 7,314	
	Expenditure 7,308	
<b>Financial position 2006-07</b>	<b>Deficit</b>	<b>6</b>
<b>Financial position 2005-06</b>	<b>Deficit</b>	<b>22</b>

The <b>Vehicle Maintenance Unit</b> won the contract under open competition and still operates along the lines of the former CCT DSO. The trading objective is to break even.	Turnover 548	
	Expenditure 548	
<b>Financial position 2006-07</b>	<b>Surplus</b>	<b>0</b>
<b>Financial position 2005-06</b>	<b>Surplus</b>	<b>0</b>

The Council manages a <b>Building Cleaning</b> operation on the basis of an agreement between the service provider and other departments – the trading objective is to break even.	Turnover 863	
	Expenditure 900	
<b>Financial position 2006-07</b>	<b>Surplus</b>	<b>37</b>
<b>Financial position 2005-06</b>	<b>Surplus</b>	<b>0</b>

The Council operates its <b>Grounds Maintenance Services</b> for the maintenance of council and other land on the basis of an agreement between the service provider and other council departments – the trading objective is to break even.	Turnover 5,590	
	Expenditure 5,590	
<b>Financial position 2006-07</b>	<b>Surplus</b>	<b>0</b>
<b>Financial position 2005-06</b>	<b>Surplus</b>	<b>0</b>



## 7. OFFICERS' EMOLUMENTS

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

Remuneration Band	Number of Employees	
	2005-06	2006-07
£50,000 - £59,999	102	133
£60,000 - £69,999	22	31
£70,000 - £79,999	14	20
£80,000 - £89,999	3	7
£90,000 - £99,999	0	1
£100,000 - £109,999	5	5
£110,000 - £119,999	1	1
£120,000 - £129,999	1	0
£130,000 - £139,999	0	1

## 8. MEMBERS ALLOWANCES

During the year, Members were paid £814,202 (2005-06 £814,356). This covered basic, special responsibility, attendance and subsistence allowances.

## 9. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. For example Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties.

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

2005-06		2006-07	
£000		Receipts £000	Payments £000
	<b>Central Government</b>		
497,197	Revenue	497,197	529,004
39,934	Capital	39,934	44,216
	<b>European Community</b>		
1,030	Revenue	1,030	0
5,926	Capital	5,926	4,908
12,098	Merseyside Police Authority - Precept		12,727
5,635	Merseyside Fire and Civil Defence Authority - Precept		5,849
22,566	Merseyside Passenger Transport - Levy		23,332
11,190	Merseyside Waste Disposal Authority - Levy		11,429
139	Environment Agency - Flood Defence Levy		139
	<b>Merseyside Pension Fund</b>		
17,264	Payment of employer's superannuation contributions in respect of non teaching employees		19,600
	<b>Department for Education and Skills</b>		
12,100	Payment of employer's superannuation contributions in respect of teachers		12,300

During the year the Council charged the Pension Fund £3.291m for expenses incurred in administering the fund.

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

## 10. BUILDING CONTROL

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

	<b>Chargeable 2006-07 £000</b>	<b>Non Chargeable 2006-07 £000</b>	<b>Total Building Control 2006-07 £000</b>
Employee Expenses	376	157	533
Transport	21	6	27
Supplies and Services	14	3	17
Central and Support Services	267	90	357
<b>Total Expenditure</b>	<b>678</b>	<b>256</b>	<b>934</b>
Building Regulation Charges	780	-	780
Miscellaneous Income	19	-	19
<b>Total Income</b>	<b>799</b>	<b>-</b>	<b>799</b>
<b>Surplus (Deficit)</b>	<b>121</b>	<b>(256)</b>	<b>(135)</b>
<b>Comparatives for 2005-06</b>			
Expenditure	723	223	946
Income	837	-	837
<b>Surplus (Deficit)</b>	<b>114</b>	<b>(223)</b>	<b>(109)</b>
<b>Comparatives for 2004-05</b>			
<b>Surplus (Deficit)</b>	<b>123</b>	<b>(234)</b>	<b>(111)</b>

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

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

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

	2005-06 £000	2006-07 £000
Costs incurred	3,660	2,686
Total amount reimbursable	<b>3,660</b>	<b>2,686</b>

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

	2005-06 Expenditure £000	2006-07 Expenditure £000
Free nursing care - Primary Care Trusts	7,143	6,230
Grounds Maintenance - Merseyside Police	4	0
Educational services – Grant Maintained and Charitable schools	55	126
Sports Centre - Use by PCT	32	33
Services provided to Wirral Partnership Homes		
Vehicle maintenance	550	331
Information technology	285	293
Anti-social behaviour team	250	257
Grounds maintenance	195	203
Legal services	140	148
Right to buy valuations	140	148
Community patrol	135	139
One Stop Shops	120	127
Payroll, pensions and personnel	110	0
Out of hours service	105	108
Housing adaptations	90	93
Shops management	25	27
System administration and support	24	25
Services provided to Beechwood and Ballantyne CHA		
Anti-social behaviour team	20	21
Other	42	25
	<b>9,465</b>	<b>8,334</b>

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

### 13. DISCLOSURE OF AUDIT COSTS

In 2005-06 and 2006-07 the Council incurred the following fees relating to external audit and inspection:

	2005-06 £000	2006-07 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	302	373
Fees payable to the Audit Commission in respect of statutory inspection	89	44
Fees payable to the Audit Commission for the certification of grant claims and returns	170	165
Total charge for the year	561	582

### 14. POOLED BUDGETS

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

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

Wirral Council's contribution for 2006-07 is £458,000 (in 2005-06 £447,000) out of total expenditure of £1.4m.

### 15. COMMUNITY FUND

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

No expenditure was charged to the fund during the 2006-07 year. Income was received from VAT savings on refurbishment and from interest earned on the balances. The authority made no financial contributions to the fund during the year.

#### Community Fund Statement

	£	£
Balance accrued at 1 April 2006		1,906,689
Movement 2006-07		
Expenditure		-
Income		
-Contributions arising from VAT savings	2,990,500	
-Interest received	125,449	
		<u>3,115,949</u>
Balance at 31 March 2007		<u>5,022,638</u>

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

In March 2001 the Council entered into a Private Finance Initiative arrangement with Jarvis Construction for the renovation and new build of 9 schools. A Deed of Amendment and Restatement was entered into on 9 September 2004 to extend the contract until 31 July 2031. As a consequence payments will now be made to WSSL until 2031-32. At 31 March 2007 outstanding payments to WSSL are £292.1m.

## 17. MOVEMENT ON FIXED ASSETS

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

	Council dwellings £000	Intangible Assets £000	Land & Buildings £000	Vehicles & Equipment £000	Infra structure £000	Community Assets £000	Operational Investment Properties £000	Operational Surplus Assets £000	Non Operational Assets Under Construction £000	TOTAL £000
Gross Book Value										
At 1 April 2006	-	1,466	453,005	5,331	69,826	37,814	6,602	4,458	4,174	582,676
Accumulated Depreciation	-	(293)	(71,814)	(3,715)	(12,608)	-	(150)	-	-	(88,580)
<b>Net Book Value</b>										
At 1 April 2006	-	1,173	381,191	1,616	57,218	37,814	6,454	4,456	4,174	494,096
Expenditure in Year	(146)	-	30,028	1,943	11,379	1,134	13	-	4,669	49,020
Revaluations	-	-	50,950	-	-	(183)	1,235	2,009	(2,082)	51,929
Reclassification	-	-	(1,704)	-	-	96	821	787	-	-
Transferred to Fixed Asset Restatement Account	146	-	(24,318)	(904)	(91)	-	-	-	-	(25,167)
Impairment	-	-	(605)	-	-	-	-	-	-	(605)
Disposals	-	-	(3,652)	-	-	-	(8)	-	-	(3,660)
Depreciation Provision	-	(147)	(13,589)	106	(1,622)	-	-	-	-	(15,252)
<b>Net Book Value</b>										
At 31 March 2007	-	1,026	418,301	2,761	66,884	38,861	8,515	7,252	6,761	550,361

## 18. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

	2005-06 £000	2006-07 £000
<b>Opening Capital Financing Requirement 1 April</b>	173,741	194,598
<b>Capital Investment</b>		
Intangible Assets	-	-
Operational Assets	48,901	44,338
Non-Operational Assets	22,922	4,682
Deferred Charges	11,469	16,018
	<u>83,292</u>	<u>65,038</u>
<b>Sources of Finance</b>		
Government Grants and Other Contributions	(47,660)	(42,901)
Capital Receipts	(7,032)	(3,009)
Revenue Provision	(7,575)	(7,061)
	<u>(62,267)</u>	<u>(52,971)</u>
PFI reversionary interest	(168)	(173)
<b>Closing Capital Financing Requirement 31 March</b>	<u><u>194,598</u></u>	<u><u>206,492</u></u>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (supported by Government financial assistance)	12,778	9,462
Increase in underlying need to borrow (unsupported by Government financial assistance)	8,079	2,432
<b>Change in capital financing requirement</b>	<u><u>20,857</u></u>	<u><u>11,894</u></u>

Capital expenditure, where the authority seldom controls the economic benefits arising is classified as a deferred charge. Primarily this covers expenditure arising from certain of our regeneration initiatives and the payment of disabled facilities and improvement grants. The movement in the year can be analysed as follows:

	2005-06 £000	2006-07 £000
Capital expenditure	11,469	16,018
Funded from grants	(8,583)	(15,200)
Funded from Major Repairs Reserve	-	(68)
<b>Balance to Statement on Movement on the General Fund Balance</b>	<u><u>2,886</u></u>	<u><u>750</u></u>

## 19. STATEMENT OF PHYSICAL ASSETS

Wirral Council owns the following major assets: -

<b>BUILDINGS</b>	<b>Balance</b>	
	<b>31.3.07</b>	
<b>Children's Services</b>	79	Primary/Nursery Schools
	12	Secondary Schools
	13	Youth Centres
	11	Special Schools
	1	Teachers Centre
	1	Childrens Centre
	4	Children's Homes
<b>Cultural Services</b>	25	Libraries
	16	Play/Community Centres
	8	Halls
	9	Sports Centres
	8	Cemeteries & Crematorium
	4	Golf Courses
	5	Art Galleries/Museums/Archives
	2	Theatre/Exhibition Centres
	1	Birkenhead Park Pavilion
<b>Adult Social Services</b>	5	Elderly Person's Homes
	19	Day Centres
	9	Residential Disabled Supported Living
	11	Group Homes
<b>Miscellaneous</b>	111	Industrial & Retail Units
	2	Shops
	72	Car Parks
	17	Administration Buildings
	18	Public Toilets
	1	Millennium Centre
	1	Advice Bureau
<b>Infrastructure</b>	834Km	Unclassified
	154Km	Other Public Slip Roads, Passageways
	116Km	Classified Non Principal
	99Km	Principal Roads
	37,927	Street Lights
	115	Pelican/Puffin Crossing Installations
	95	Traffic Signal Installations
	53	Bridges
<b>Land</b>	85	Open Spaces
	88	Allotments & Agricultural
	75	Parks & Gardens
	59	Playgrounds & Playing Fields
	25	Woodland & Heathland
	7	Nature Reserves
	18	Clearance Areas
	5	Housing development sites



## 20. VALUATION INFORMATION

The authority adopts a five year rolling programme of valuations under which all requisite assets will be re-valued by March 2008. A valuation certificate for all land and properties, with the exception of infrastructure was provided for the 2006-07 financial year by R.M. Hird MRICS, employed by the Department of Corporate Services.

Valuation methods are as follows:-

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

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

	<b>Land and Buildings £000</b>	<b>Vehicles and Equipment £000</b>	<b>Investment and Surplus £000</b>
Valued at current value in			
2006-07	182,939		8,919
2005-06	442,416	-	6,404
2004-05	93,139	7	325
2003-04	3,960	-	-
	<u><u>722,454</u></u>	<u><u>7</u></u>	<u><u>15,648</u></u>

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

The Housing Market Renewal Initiative is a major government funded capital strategy, envisaged to be of 10 to 15 year duration, aimed at improving the local housing market in Wirral through extensive regeneration. Expenditure on the acquisition of fixed assets undertaken under the HMRI, with the exception of compensation payments (classed as adferred charge), has been classified as land and buildings and then transferred to the Fixed Asset Restatement Account at the year end.

The Council operates a number of former Grant Maintained Schools of which it does not have ownership. Consequently the gross book value of £2.8m is excluded from the balance sheet.

## 21. ANALYSIS OF NET ASSETS EMPLOYED

	<b>2005-06 £000</b>	<b>2006-07 £000</b>
General Fund	246,329	292,935
Housing Revenue Account	10,064	-
Pensions Reserve	(253,094)	(222,368)
	<u><u>3,299</u></u>	<u><u>70,567</u></u>

## 22. INTANGIBLE FIXED ASSETS

	<b>Balance 1.4.06 £000</b>	<b>Expenditure £000</b>	<b>Written Down £000</b>	<b>Balance 31.3.07 £000</b>
Purchased software licence	1,173	-	(147)	1,026

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

## 23. DEPRECIATION

For all assets subject to depreciation, that depreciation has been charged in accordance with the requirements of FRS15 Tangible Fixed Assets on a straight line basis. Each asset's useful life is assessed as the basis of calculating the annual depreciation charge. These range from 4 years for computer equipment to 40 years for buildings

## 24. COMMITMENTS UNDER CAPITAL CONTRACTS

Significant contracts for future capital expenditure include

	<b>£000</b>
New secondary school in Woodchurch	25,000
Provision of new teaching block - Wirral Grammar Boys	3,200
Provision of new teaching block - West Kirby Grammar	2,400
Provision of 8 childrens centres	1,938
One Business I.T. development	815
Adaptation to 3 secondary schools	682
Birkenhead Park landscaping	382

There is a liability in respect of the Bidston Moss viaduct which is shared between the Council, Merseytravel and the Highways Agency. Subject to Department of Transport approval the scheme will commence April 2008 and be completed by March 2012. Anticipated costs are in the region of £43m.

## 25. LEASING

The Authority uses various types of vehicles, computer equipment and furniture financed under terms of an operating lease. The amount paid under these arrangements in 2006-07 was £1,225,000 (2005-06 £1,609,000) and payments are analysed below. The SORP requires charges to be made evenly throughout the period of the lease.

	<b>2005-06</b>	<b>2006-07</b>
	<b>£000</b>	<b>£000</b>
Grounds maintenance equipment	52	52
Information technology	1,011	785
Sport and recreation	47	73
Telephone equipment	25	16
Vehicles	380	299
Housing Furniture	94	-
	<u>1,609</u>	<u>1,225</u>

The Authority was committed at 31 March 2007 to making payments of £906,000 under operating leases in 2006-07 comprising the following elements:

	<b>£000</b>
Leases expiring in 2007-08	257
Leases expiring between 2008-09 and 2012-13	649
Leases expiring after 2012-13	0
	<u>906</u>

Authority as lessor – The authority leases various industrial units, the gross value of which is £4,701,500 (£3,922,700 in 2005-06). Rental income on these properties amounted to £321,000 in 2006-07 (£272,000 in 2005-06).

## 26. DEFERRED CONSIDERATION

On 27 March 2001 the Council entered into a Private Finance Initiative contract for the renovation and new build of 9 schools. A Deed of Amendment and Restatement was entered into on 9 September 2004 to extend the contract until 31 July 2031. Total payments to Wirral Schools Services Ltd (WSSL) will be £320.0m and over the same period we will receive additional government grant of £161.2m.

One of the fundamental principles of the contract is that on completion of the work any risk associated with that particular school transfers to WSSL. Accordingly any such assets are no longer shown in the Council's balance sheet. By 31 March 2006 the 9 schools had been transferred to WSSL (7 refurbishments and 2 new build). In 2005-06 the balance sheet was reduced by a further £1.6m in addition to £58.5m prior to 1 April 2005. In respect of the 7 refurbished schools, these were transferred to WSSL at nil consideration. In effect this would result in lower annual payments over the life of the contract. To reflect this a deferred consideration of £49,512,571 was recognised 2004-05 which will be amortised annually in the accounts until the contract ends in July 2031.

	<b>Balance 1.4.06 £000</b>	<b>Expenditure £000</b>	<b>Written Down £000</b>	<b>Balance 31.3.07 £000</b>
Wirral Schools Services Ltd	45,889	-	(1,812)	44,077

## 27. DEFERRED REVENUE EXPENDITURE

	<b>2005-06 £000</b>	<b>2006-07 £000</b>
Balance as at 1 April	7,228	6,985
Charge to revenue	(243)	(232)
<b>Balance as at 31 March</b>	<b><u>6,985</u></b>	<b><u>6,753</u></b>

In order to effectively manage the authority's long term debt portfolio, loans will be repaid before their due date. If a replacement loan is arranged at a lower rate of interest then a premium representing the lenders loss of interest will be paid. At present this is charged to the revenue account over the life of the replacement loan.

## 28. INVESTMENTS

	<b>31.3.2006 £000</b>	<b>31.3.2007 £000</b>
<b>Long Term</b>		
Insurance Fund -Market Value at 31.03.07- £1,615,796	825	819
Short term lending to Financial Institutions at 31 March	2,500	2,500
	<b><u>3,325</u></b>	<b><u>3,319</u></b>
<b>Short Term</b>		
Insurance Fund -Market Value at 31.03.07- Nil	946	0
Short term lending to Financial Institutions at 31 March	57,200	65,500
	<b><u>58,146</u></b>	<b><u>65,500</u></b>

## 29. LONG TERM DEBTORS

	Balance 01.04.2006	Advances	Repayments / Reclassification	Balance 31.03.2007
	£000	£000	£000	£000
Repayment of Former M.C.C. Debt	84,905	-	(4,469)	80,436
Repayment of Council Mortgages	366	-	(104)	262
Wirral Schools PFI	371	-	(371)	-
Risk Management Loans	8	-	(5)	3
Other	2	-	(2)	-
	<u>85,652</u>	<u>-</u>	<u>(4,951)</u>	<u>80,701</u>

£80.4 million relates to outstanding debt in respect of the former Merseyside County Council. This is calculated according to a statutory regulation, whereas the actual balance of the loans referred to in Note 34 are determined by the existing loan repayment profile.

## 30. STOCKS

	31.3.2006 £000	31.3.2007 £000
Operational and Building Services	147	151
Cultural Services	116	116
Educational Services	129	66
Other	30	79
	<u>422</u>	<u>412</u>

## 31. DEBTORS

	31.3.2006 £000	31.3.2007 £000
Amounts falling due in one year:		
European Community	2,541	508
Government Departments	23,233	15,069
Financial Institutions	1,006	1,896
Other Public Bodies	9,225	8,680
Collection Fund	14,817	15,090
Sundry Debtors	34,774	42,021
Prepayments	1,267	1,234
	<u>86,863</u>	<u>84,498</u>
<b>Less:</b>		
Bad Debts Provision	16,421	15,923
	<u>70,442</u>	<u>68,575</u>

## 32. SHORT TERM BORROWING

	31.3.2006 £000	31.3.2007 £000
Balance at 1 April	22,825	25,425
Increase / (decrease) in Short Term Borrowing	5,600	(15,571)
Increase/(Decrease)in Debt to be Repaid Within 1 Year	(3,000)	3,205
Balance at 31 March	<u>25,425</u>	<u>13,059</u>

Of the above, £3.5m relates to the former Merseyside County Council compared with £0.3m in 2005-06.

### 33. CREDITORS

	31.3.2006 £000	31.3.2007 £000
European Community	-	805
Government Departments	9,487	18,584
Financial Institutions	3,095	2,465
Other Public Bodies	1,244	2,764
Collection Fund	1,579	-
Sundry Creditors	36,723	34,581
	<u>52,128</u>	<u>59,199</u>
Receipts in Advance	14,167	8,103
	<u>66,295</u>	<u>67,302</u>

Receipts in advance include capital grants unapplied which were originally shown separately in the 2005-06 Balance Sheet. The 2005-06 receipts in advance have been restated to reflect this change in presentation.

### 34. LONG TERM BORROWING

The Authority's Long Term Borrowing is as follows: -

	31.3.2006 £000	31.3.2007 £000
Analysis of loan by maturity:		
Maturing in 1 - 5 years	30,363	40,430
Maturing in 5 - 10 years	47,770	52,766
Maturing in 10 - 20 years	53,082	50,529
Maturing in 20 - 30 years	6,000	2,500
Maturing in more than 30 years	123,500	123,500
	<u>260,715</u>	<u>269,725</u>
Analysis of loan by type:		
Public Works Loan Board	82,279	90,803
Financial Institutions	175,539	176,085
Other Public Bodies	2,897	2,837
	<u>260,715</u>	<u>269,725</u>

Interest on stepped Lender Option Borrower Option loans has been averaged to the earliest break point where it is likely that there is a commercial possibility that an option would be exercised. The overall effect to 31 March 2007 is to increase the fair value of outstanding debt by £2.5m. At 31 March 2006 this amounted to £1.9m which was however classed as a deferred liability rather than long term borrowing.

Wirral administers the former Merseyside County Council Debt on behalf of the five Merseyside local authorities, together with the Police, Fire, Waste Disposal and Transport Authorities. This debt is included in the analysis above and for these particular authorities amounts to £91.8m as at 31 March 2007.

### 35. PROVISIONS

The following are the main provisions made by the Council.

#### Bad Debts

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

	<b>Balance 1.4.2006</b>	<b>Add: Contri- butions</b>	<b>Less: Write offs</b>	<b>Balance 31.3.2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Summons Costs	694	-	(25)	669
Housing Benefit	5,304	383	-	5,687
Sundry Debtors	1,420	254	-	1,674
NNDR	1,162	559	(756)	965
Council Tax	7,841	-	(913)	6,928
<b>Total</b>	<b>16,421</b>	<b>1,196</b>	<b>(1,694)</b>	<b>15,923</b>

#### **Others**

The provisions figure shown in the Balance Sheet comprises:

	<b>Balance 1.4.06</b>	<b>Additions</b>	<b>Utilised</b>	<b>Balance 31.3.07</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Insurance Fund	5,496	417	-	5,913
Regeneration Clawback	379	236	(44)	571
Highway maintenance	-	550	(86)	464
Match Funding	-	225	-	225
Replacement Wheelie Bins	-	200	-	200
Local Pay Review	-	189	-	189
Merseyside Information Service	164	4	-	168
Local Development Framework	-	165	-	165
Other	478	312	(42)	748
	<b>6,517</b>	<b>2,298</b>	<b>(172)</b>	<b>8,643</b>

#### **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.

#### **Regeneration Clawback**

A number of refurbishment schemes have been undertaken using government grants. Any assets that are subsequently sold may require the grant to be repaid.

#### **Highway Maintenance**

Provision required to maintain and improve the council's footpaths in as part of the overall risk management strategy.

#### **Match Funding**

This is required to match a series of commitments including artistic and cultural developments, golf events

#### **Replacement Wheelie Bins**

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

#### **Local Pay Review**

The Council is currently undertaking negotiations dealing with a nationally agreed pay review and back dated pay claims. Additional administration costs will be incurred which will be funded from this provision.

### Merseyside Information Service

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

### Local Development Framework

A number of local development framework studies were approved by Cabinet on the 15 March 2007. The

### Self Insurance – Wirral MBC

The authority self-insures fire damage to its buildings and contents (up to a maximum of £1m in any one year). It also self-insures the first **£100,000** of each motor accident (up to a maximum of £250,000 in any one year) and the first **£250,000** of each legal liability claim (up to a maximum of £6.0m for all claims in any one year).

As at 31 March 2007 the authority held the following provisions and reserves in respect of its liability for these self-insured risks.

	£000
Fire	2,000
Motor	250
Liability	13,849

### 36. DEFERRED CREDITS

These are amounts derived from the sale of former council housing by Wirral Partnership Homes and Beechwood and Ballantyne Community Housing Association. The Council was due £1.84m at 31 March 2007 (£4.0m at March 2006). The remainder represents mortgage repayments on Right to Buy mortgages.

### 37. RESERVES

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

Reserve	Balance 01.04.2006 £000	Movement In Year £000	Balance 31.03.2007 £000
Fixed Asset Restatement Account	151,267	25,381	176,648
Capital Financing Account	32,908	(7,427)	25,481
Usable Capital Receipts	6,300	4,677	10,977
Pensions Reserve	(253,094)	30,726	(222,368)
Housing Revenue Account	4,011	(4,011)	-
Major Repairs Reserve	4,553	(4,553)	-
General Fund	1,767	9,713	11,480
Collection Fund	1,909	(2,418)	(509)
Other Reserves	53,678	15,180	68,858
	<u>3,299</u>	<u>67,268</u>	<u>70,567</u>

#### Fixed Asset Restatement Account

Store of gains on revaluation of fixed assets

Balance at 01/04/06	151,267
Revaluations during the year	26,588
Disposals	(3,660)
Depreciation adjustments for disposal and revaluations	1,959
Adjustment for MRDF debt repayment	494
Balance at 31/03/07	<u>176,648</u>

**Capital Financing Account**

Store of capital resources set aside to meet past expenditure

<b>Balance at 01/04/06</b>	32,908
Capital receipts used to fund capital expenditure	3,009
Grants written off resulting from asset disposals	14
Reserves used to fund capital expenditure	958
Minimum Revenue Provision	6,103
Depreciation and impairment	(17,816)
Government grants deferred	2,867
Deferred charges	(750)
PFI unitary payment abatement	(1,812)
<b>Balance at 31/03/07</b>	<u>25,481</u>

**Usable Capital Receipts**

Proceeds of fixed asset sales available to meet future capital investment

<b>Balance at 01/04/06</b>	6,300
Receipts from the sale of assets	7,686
Receipts used to fund capital expenditure	(3,009)
<b>Balance at 31/03/07</b>	<u>10,977</u>

**Pensions Reserve**

Balancing account to allow the inclusion of Pensions Liability in the Balance Sheet  
See Note 42 to the Main Financial Statements

**Housing Revenue Account**

Resources available to meet future running costs for council housing  
Refer to HRA statements

**Major Repairs Reserve**

Resources available to capital investment in council housing  
Refer to HRA statements

**General Fund**

Resources available to meet future running costs for non-housing services  
Refer to Statement of Movement on the General Fund Balance

**Collection Fund**

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

Other reserves shown in the Balance Sheet comprise:



	<b>Balance 1.4.06 £000</b>	<b>Contri- butions £000</b>	<b>Write Offs or Applied £000</b>	<b>Balance 31.3.07 £000</b>
Insurance Fund	11,974	2,452	(2,057)	12,369
Schools Balances	6,928	2,879	-	9,807
Housing Benefit System	5,708	4,000	(341)	9,367
Community Fund	-	8,771	-	8,771
Housing Benefit	9,000	2,837	(5,037)	6,800
PFI Revenue	5,325	-	(620)	4,705
Debt Restructuring & Financing	1,892	1,581	-	3,473
Supporting People Programme	-	2,342	-	2,342
I.T./Intranet	1,800	-	-	1,800
Former HRA Contingency	1,500	-	-	1,500
Wirral & N Wales Purchasing Organisation	750	-	(150)	600
Schools Contingency	901	-	(340)	561
Dedicated Schools Grant		527		527
Investment Strategy		409		409
Capital Schemes	2,078	-	(1,683)	395
Matching Fund	319	20	-	339
Sports Centre Contingency		300		300
One Stop Shop IT Network	197	95	-	292
Wirral Home Improvement Agency		207		207
Tourism	201	-	-	201
Other	3,805	1,838	(1,550)	4,093
Stock Transfer	750	-	(750)	-
Footpath Schemes	550	-	(550)	-
	<b><u>53,678</u></b>	<b><u>28,258</u></b>	<b><u>(13,078)</u></b>	<b><u>68,858</u></b>

The major reserves are maintained for the following purposes :-

#### **Insurance fund**

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

#### **Schools Balances**

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

Schools Under spending	10,682
Schools Overspending	(875)
	<b><u>9,807</u></b>

#### **Housing Benefit System**

There is an ongoing issue relating to the previous Housing Benefit Supporting People arrangements, a potential clawback of subsidy against recent years and a new Housing Benefits and Council Tax system which was introduced during 2006-07.

#### **Community Fund & WPH Set Up Costs**

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

### **Housing Benefit**

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

The remaining long standing claims are to be finally settled with the DWP and the Council having agreed settlement of this will occur in 2007-08.

Changes in the interpretation of legislation and subsidy arrangements for single person's discounts require adjustments to be made to prior years. The Council reserves the right to challenge the reasonableness of any calculations in respect of clawback.

### **PFI Revenue**

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

### **Debt Restructuring and Financing**

To cover the premiums associated with the early repayment of debt, future interest rate increases and costs associated with leasing terminations.

### **Supporting People Programme**

Permission has been granted by the DCLG to roll over any administration and specific programme grant into future years. This will be spent to support people in need to live in their own homes.

### **I.T/Intranet**

To expand and develop a corporate ICT services.

### **Former HRA Contingency**

There are a number of outstanding liabilities which may arise in later years relating to the former Housing Revenue Account. These may include outstanding contract retentions and rechargeable jobs, any unrealised income from the former trading operation and any unrealised income for items contained within the balance sheet. There are a number of areas where debts exist and the assumed income already accounted for may be disputed and unrealised. In addition there may be other unforeseen liabilities.

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

The purchasing consortium is being dissolved and the Council's share of the final settlement of all outstanding liabilities is due to be paid in 2007-08.

### **Schools Contingency**

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

### **Capital Schemes**

The majority of the Capital Schemes reserve is for PFI wiring within Schools.

### **Matching Fund**

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

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

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

### **Tourism**

To support the ERDF grant funded project "Marketing Wirral for Tourism."

### 38. BALANCES

An analysis of the consolidated balances is provided below:

	2005-06 £000	2006-07 £000
General Fund	1,767	11,480
Housing Revenue Account	4,011	0
Collection Fund - Wirral Council	1,909	-509
	<u>7,687</u>	<u>10,971</u>

### 39. INSURANCE FUND

2005-06 £000		2006-07 £000	£000
14,908	Opening Balance		17,413
4,653	ADD: Premium received - current	5,490	
308	Investment Income	<u>272</u>	
			5,762
19,869			<u>23,175</u>
2,456	LESS: Claims paid	2,892	
0	Transfer to Revenue	<u>2,000</u>	
2,456			4,892
<u>17,413</u>	<b>Closing Balance</b>		<u>18,283</u>

The closing balance is allocated as follows: -

5,496	Provisions	5,914
<u>11,917</u>	Reserves	<u>12,369</u>
<u>17,413</u>		<u>18,283</u>

The Insurance Fund has been partially externally invested. At 31 March 2007 the market value of the investments was £1,615,796 this being £786,830 more than cost. No provision has been made for any consequent loss on these investments.

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

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

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

### 40. COLLECTION FUND

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

Payable from:

Wirral

**£000**  
509

## 41. TRUST FUNDS

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

	<b>Balances at 1.4.06</b>	<b>Income</b>	<b>Outlay</b>	<b>Balances at 31.3.07</b>
	£	£	£	£
<b><u>Education</u></b>				
EF Callister to promote youth development	372,822	-	-	372,822
Stitt Scholarship for educational achievement	33,842	1,344	(130)	35,056
RJ Russell Prize for educational achievement	89,602	3,158	-	92,760
Other funds - including criminal injuries	68,921	69,463	(1,155)	137,229
	<u>565,187</u>	<u>73,965</u>	<u>(1,285)</u>	<u>637,867</u>
<b><u>Cultural</u></b>				
Prize Funds	7,156	-	(7,156)	-
<b><u>Social Services (transferred to Education)</u></b>				
Criminal injuries compensation distributed when children reach 18 years of age	66,825	-	(66,825)	-
	<u>639,168</u>	<u>73,965</u>	<u>(75,266)</u>	<u>637,867</u>

The fund assets are as follows: -

	<b>Balance at 1.4.06</b>	<b>Balance at 31.3.07</b>
	£	£
Property	372,822	372,822
Investments - CLIA	264,955	256,872
- Equities	6,922	6,922
Cash	(5,531)	1,251
	<u>639,168</u>	<u>637,867</u>

## 42. PENSIONS

### Teachers:

In 2006-07 the Council paid £12.3m to the Teachers Pensions Agency in respect of teachers' pension costs, based on a contribution rate of 13.5% to 31 December 2006 and 14.1% thereafter.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2006-07 these amounted to £0.5m representing 0.4% of pensionable pay.

### Other employees:

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

In 2006-07 the Council paid an employer's contribution of £19.6m into the Pension Fund representing a contribution rate of 15.8% of pensionable pay.

The latest actuarial report (31 March 2004) has indicated that the liabilities of the fund exceed the assets at that date by £951.9m, giving a funding level of 76%. The recommended employer contribution rates for 2007-08 16.5%

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

In addition the Council is responsible for all pension payments relating to added years benefits it has awarded together with the related increases. In 2006-07 these amounted to £3.5m representing 2.8% of pensionable pay.

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

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

<b>Income and Expenditure Account</b>	<b>2005-06</b>	<b>2006-07</b>
	<b>£000</b>	<b>£000</b>
<i>Net Cost of Services:</i>		
• Current service cost	20,090	23,611
• Past service costs	(10,466)	446
• Curtailment costs	1,796	2,234
 <i>Net Operating Expenditure:</i>		
• Interest cost	37,429	39,076
• Expected return on assets in the scheme	(28,530)	(32,561)
<i>Net Charge to the Income and Expenditure Account:</i>	<u>20,319</u>	<u>32,806</u>
 <i>Statement of Movement in the General Fund Balance</i>		
• Reversal of net charges made for retirement benefits in accordance with FRS17	(20,319)	(32,806)
 <i>Amount charged against the General Fund Balance for pensions in the year</i>		
• Employers' contributions payable to scheme	22,859	25,277

### **Merseyside Pension Fund**

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

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

At 31 March 2006 net assets of the fund amounted to £4,041m.

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

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

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

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

The authority participates in the Local Government Pension Scheme for civilian employees, administered by Wirral Borough Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets. This is a defined benefit scheme. Fund contribution rates are based on triennial valuations, the latest being 31 March 2004.

All authorities have had to fully adopt the accounting policies contained with Financial Reporting Standard 17 "Retirement Benefits". The principle behind FRS 17 is that an organisation should account for retirement benefits when it is committed to give them, even if the actual payment will be many years in the future.

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

		<b>Estimated Liabilities £000</b>	<b>Estimated Assets £000</b>	<b>Net Asset / (Liability)</b>
<b>Local Government Pension Scheme</b>				
	31/03/2006	(761,721)	542,919	(218,802)
	31/03/2007	(769,216)	579,891	(189,325)
<b>Teachers Pension Scheme</b>				
	31/03/2006	(34,292)	-	(34,292)
	31/03/2007	(33,043)	-	(33,043)
<b>Totals</b>				
	31/03/2006	(796,013)	542,919	(253,094)
	31/03/2007	(802,259)	579,891	(222,368)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £222m has a substantial impact on the net worth of the authority as recorded in the balance sheet resulting in an overall balance of £70m.

#### **Basis for Estimating Assets and Liabilities**

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

<b>Financial Assumptions</b>	<b>31/03/2006</b>	<b>31/03/2007</b>
Rate of inflation	2.90%	3.10%
Rate of increase in salaries	4.15%	4.35%
Rate of increase in Pensions	2.90%	3.10%
Rate for discounting scheme liabilities	4.90%	5.40%
<b>Expected Rate of Return on</b>	<b>31/03/2006</b>	<b>31/03/2007</b>
Equities	7.00%	7.50%
Government Bonds	4.30%	4.70%
Other Bonds	4.90%	5.40%
Property	6.00%	6.50%
Cash/liquidity	4.50%	5.25%
Other	7.00%	7.50%

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

	<b>31/03/2006</b>	<b>31/03/2007</b>
Equity Investments	61.00%	58.30%
Government Bonds	16.80%	16.80%
Other Bonds	4.80%	5.90%
Property	5.00%	9.80%
Cash/liquidity	8.50%	5.40%
Other	3.90%	3.80%

#### **Pensions – Disclosure Items 31 March 2007**

<b>Movement in Deficit during 2006-07</b>	<b>£000's</b>
<b>Deficit at 01/04/06</b>	(253,094)
Current Service Costs	(23,611)
Employer Contributions	25,277
Past Service Cost/Curtailment Cost	(2,680)
Net Interest/Return on Assets	(6,515)
Actuarial Gain or (Loss)	38,255
<b>Deficit at 31/03/07</b>	<u>(222,368)</u>

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

#### **Additional Disclosure Items**

	<b>Assets at 31/03/2006</b>	<b>Assets at 31/03/2007</b>
	<b>£000</b>	<b>£000</b>
Equities	331,181	338,076
Government Bonds	91,210	97,422
Other Bonds	26,060	34,214
Property	27,146	56,829
Cash/liquidity	46,148	31,314
Other	21,174	22,036
	<u>542,919</u>	<u>579,891</u>

## Actuarial Gains and Losses

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

		Difference between expected and actual return in assets	Experience gains and losses arising on the schemes liabilities	Effect of changes in demographic and financial assumptions underlying the present value of the scheme liabilities	Total
2002-03	£000	(90,045)	-	-	(90,045)
	%	(25.4)			
2003-04	£000	49,305	-	-	49,305
	%	11.6			
2004-05	£000	23,533	(14,949)	(109,716)	(101,132)
	%	5.3	2.2	15.8	
2005-06	£000	71,728	(14,953)	(59,556)	(2,781)
	%	13.2	2.0	7.5	
2006-07	£000	(175)	-	38,430	38,255
	%			4.8	

### Pension Reserve

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

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

### Possible Post Balance Sheet Event

The net liability includes an estimate of the effect of teacher's retirement costs and may change after actuarial valuation. The liability represents the difference between the value of the fund assets at 31 March 2007 and the estimated present value of the future pension payments to which we are committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1 April 2006 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities will be considered by the actuaries in their next full actuarial review on the Pension Fund, due to be carried out as at 31 March 2007. Their advice on whether or not there is any anticipated shortfall in the funding of the scheme at that time will determine the future level of pension contributions.



### 43. THE EURO – Economic Monetary Union

At 31 March 2007 the Authority has not entered into any financial commitments that are attributable to the Euro. The Council continues to subscribe to the CIPFA Euro Forum. The Authority will produce a changeover plan once the requirements and formats have been agreed nationally. Funding is included in the Information Strategy reserve, however the precise requirement has yet to be determined.

### 44. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance on 20 June 2007. Accordingly, this represents the date up to which events after the balance sheet date have been considered.

### 45. CONTINGENT LIABILITIES

#### Department for Work and Pensions

There are potential liabilities in respect of a number of Housing and Council Tax Benefit subsidy issues. These may result in either repayment being made to the DWP or reduced subsidy received. Issues include the recovery of overclaimed subsidy, adjustments in respect of overclaimed council tax subsidy relating to Single Person Discounts and increased costs related to former Supported People providers. A replacement Housing Benefit and Council Tax system was introduced during 2006-07 and some elements of this system are still to be paid for. All of these items will be funded from the Housing Benefits reserve.

#### Primary Care Trusts

At 31 March 2007 the local Primary Care Trusts (PCTs) believe that Wirral have liabilities of up to £650,000 for services they have provided to the Authority. This is subject to discussion and final agreement. Due to the uncertainty of the above discussions, no amounts are shown within the 2006-07 authority revenue or balance sheet accounts.

#### Local Pay Review

As an outcome of the National Joint Council (NJC) for Local Government Services pay award 2004, the Authority must complete and implement a Local Pay Review effective from 31 March 2007. This review is currently on-going and when completed will be backdated to 1 April 2007. It will address any equality issues in relation to equal pay for work of equal value. Any liability will depend upon the outcome of the review.

#### Equal Pay Review

The authority has a potential liability in respect of equal pay claims from certain employees relating to past years service. The authority has applied to the DCLG for a contribution towards the funding of these potential costs. It is intended to settle the outstanding equal pay claims during the 2007-08 financial year.

### 46. RECONCILIATION OF SURPLUS TO NET CASHFLOW

	£000	£000
Increase for the year		3,284
<b>Non cash transactions</b>		
Deferred Charges/Grants deferred	305	
Principal	6,103	
Contribution to Reserves	10,627	
Contribution to Provisions	2,126	
Deferred Credits	(2,264)	
		<hr/>
		16,897
<b>ITEMS ON AN ACCRUAL BASIS</b>		
Decrease in Stocks	10	
Decrease in Debtors	6,011	
Increase in Creditors	5,501	
		<hr/>
		11,522

**ITEMS CLASSIFIED IN ANOTHER CLASSIFICATION  
IN THE CASHFLOW STATEMENT**

Interest Paid	7,466
Interest Received	(9,980)

**Net Cash Flow from Revenue Activities** **29,189**

**47. RECONCILIATION OF THE MOVEMENT IN CASH TO MOVEMENT IN NET DEBT**

	<b>Balance 31.3.06 £000</b>	<b>Cash Flow £000</b>	<b>Non-cash Flow £000</b>	<b>Balance 31.3.07 £000</b>
Cash in hand	4,516	3,814	-	8,330
Short term loans	(25,425)	12,366	-	(13,059)
Long-term borrowing	(260,715)	(8,465)	(545)	(269,725)
Short-term investments	58,146	7,354	-	65,500
	<b>(223,478)</b>	<b>15,069</b>	<b>(545)</b>	<b>(208,954)</b>

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

**48. LIQUID RESOURCES**

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

**49. ANALYSIS OF GRANTS**

<b>Capital Grants</b>	<b>2006-07 £000</b>
Housing renewal and regeneration	14,107
Education Standards Fund	10,007
Regeneration	8,391
Birkenhead Park	3,287
Childrens' centres	3,157
Highway infrastructure	535
L.P.S.A.	520
Social Services information technology	180
Other	<u>386</u>
	<b><u>40,570</u></b>

<b>Revenue Grants</b>	<b>2006-07 £000</b>
Dedicated Schools	170,431
Housing Benefit	117,014
Schools standards	30,519
Merseyside Connexions	21,352
Supporting People	12,695
Neighbourhood renewal	8,367
Private Finance Initiative	5,471
Social Services Access System Capacity	4,121
Childrens Centres	4,693
Schools Formula Capital	3,189
Preserved Rights	3,138
St Mary's College	1,838
Early Years	1,807
Local Public Service Agreement	1,785
Mental Health	1,714
Training Support	1,392
Carers	1,362
Business growth incentive	1,266
Neighbourhood Development	1,046
Housing Market Renewal	899
Delayed Discharge	733
Quality Protects	668
Anti Social Behaviour	544
Substance Abuse	474
New Opportunities	366
Other	<u>2,829</u>
	<b><u>399,713</u></b>

#### 50. RECONCILIATION OF FINANCING AND MANAGEMENT OF LIQUID RESOURCES

	<b>Short-term Investments £000</b>	<b>Long-term Borrowing £000</b>	<b>Short-term Loans £000</b>
Balance at 1 April 2006	58,146	(260,715)	(25,425)
Cash-flow items:			
Loans raised	-	(12,000)	(63,129)
Loans repaid	-	3,535	75,495
Investments made	7,354		
Non cash item		(545)	
<b>Balance at 31 March 2007</b>	<b>65,500</b>	<b>(269,725)</b>	<b>(13,059)</b>

#### 51. NON CASH TRANSACTION

With reference to Notes 47 and 51 the non cash transaction relates to the increase in fair value of outstanding long term debt resulting from averaging the annual interest payable on Lender Option Borrower Option loans. This transaction did not represent a movement in cash for the Authority.

**ADDITIONAL FINANCIAL STATEMENTS: HOUSING REVENUE ACCOUNT**

**HOUSING REVENUE ACCOUNT**

**INCOME AND EXPENDITURE ACCOUNT**

2005-06 £000		£000	2006-07 £000
	<b>Income</b>		
(104)	Dwellings rents	-	
-	Non-dwelling rents	5	
(20)	Charges for services and facilities	1	
-	Contributions towards expenditure	-	
-	Housing Revenue Account Subsidy Receivable	252	
-	Sums directed by the Secretary of State that are income in accordance with UK GAAP	-	
<b>(124)</b>	<b>Total Income</b>	<b>-</b>	<b>258</b>
	<b>Expenditure</b>		
(162)	Repairs and maintenance	89	
(111)	Supervision and management	59	
211	Government Subsidies Repayable	-	
-	Rents, rates, taxes and other charges	1	
-	Negative housing revenue account subsidy payable	-	
-	Negative housing revenue account subsidy transferrable to the General Fund under the transitional arrangements	-	
-	Depreciation and impairment of fixed assets	-	
-	Debt Management Costs	-	
1,483	Increase in bad debt provision	-	
-	Sums directed by the Secretary of State that are expenditure in accordance with UK GAAP	-	
<b>1,421</b>	<b>Total Expenditure</b>	<b>-</b>	<b>149</b>
<b>1,545</b>	<b>Net Cost of HRA Services per Authority Income and Expenditure Account</b>		<b>(109)</b>
-	HRA Services share of Corporate and Democratic Core		-
-	HRA share of other amounts included in the whole authority Net cost of services but not allocated to specific services		-
<b>1,545</b>	<b>Net Cost of HRA Services</b>		<b>(109)</b>
-	(Gain) or loss on sale of HRA fixed assets		-
(26)	Interest payable and similar charges		(20)
-	Amortisation of premiums and discounts		-
-	Interest and investment income		-
-	Pensions interest cost and expected return on pensions assets		-
<b>1,519</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>(129)</b>

## HOUSING REVENUE ACCOUNT

### STATEMENT OF MOVEMENT ON THE BALANCE

2005-06 £000		2006-07 £000	£000
1,519	(Surplus) or deficit for the year on the HRA Income and Expenditure Account		(129)
-	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		4,141
1,519	(Increase) or decrease in the Housing Revenue Account Balance		4,012
(5,531)	Housing Revenue Account surplus brought forward		(4,012)
(4,012)	Housing Revenue Account surplus carried forward		-

#### NOTES TO THE MOVEMENT OF HOUSING REVENUE ACCOUNT BALANCE

##### 1. FORMAT OF STATEMENT

The movement of Housing Revenue Account Balance statement is a new requirement for 2006/07. The format of this statement has been laid down within the 2006 Statement of Recommended Practice. The equivalent 2005-06 entries have been re-stated to comply with this format and allow comparison between years.

##### 2. NET ADDITIONAL AMOUNT REQUIRED BY STATUTE TO BE DEBITED TO THE HRA BALANCE

The closure of the HRA as at 27 March 2007 resulted in the transfer of any remaining balances within the Housing Revenue Account to the authority General Fund. A transfer of £4,140,592 was therefore made with the transfer being debited to this line on the movement statement. This value represents the balances brought forward at 1 April 2006 of £4,011,637 plus the 2006-07 credit movement of £128,955.

## NOTES TO THE ADDITIONAL FINANCIAL STATEMENTS - HOUSING REVENUE ACCOUNT

### 1. HOUSING STOCK TRANSFER

The Authority transferred its Housing Stock to Wirral Partnership Homes (WPH) and Beechwood and Ballantyne Community Housing Association (BBCHA) on 7 February 2005. This followed a resolution from the Council and a positive ballot of its then tenants during the spring of 2004. The financial implications of all transactions relating to this transfer are included throughout the Statement of Accounts. The 2006-07 account entries reflect work undertaken to resolve any outstanding issues and liabilities relating to the HRA.

It should be noted that comparison cannot easily be made between 2005-06 and 2006-07, as the figures represent declining residual post stock transfer transactions.

### 2. LEGISLATION

In accordance with the Local Government and Housing Act 1989 the activities of the Authority as a landlord must be separately identified in the accounts. The Housing Revenue Account, therefore, shows the expenditure incurred on managing and maintaining the stock that must be funded from Government subsidies, rents and charges. The format of the 2006-07 accounts has been revised to meet the requirements of the new financial reporting requirements laid down in the 2006 Statement of Recommended Practice. As the Authority transferred its Housing Stock from 7 February 2005 the Authority is no longer a direct provider of social housing and its associated functions.

Post-transfer the Authority was required by statute to retain a Housing Revenue Account until such time that permission was granted for its formal closure by the Secretary of State. Permission was granted by the Department for Communities and Local Government to close the Housing Revenue Account as at 27 March 2007. The remaining balances within the HRA and Major Repairs Reserve have therefore been transferred to the Authority General Fund. This is the final time HRA statements will be presented.

In addition the transfer warranted the granting of Special Determinations by the then Office of the Deputy Prime Minister (ODPM) to ensure that the specific and unique details of the transfer of Wirral's housing stock and the innovative partnership arrangements with WPH and BBCHA are properly reflected in the financial activity and resulting accounting statements.

### 3. DETAILS OF THE HRA FIXED ASSETS

The large scale voluntary transfer of the housing stock and other associated assets to WPH and BBCHA resulted in a nil value for operational and non-operational assets at 1 April 2006. The value of operational and non-operational assets at 31 March 2007 was nil.

### 4. COUNCIL HOUSING STOCK

As the Authority transferred its housing stock to Wirral Partnership Homes and Beechwood and Ballantyne Community Housing Association on 7 February 2005, the Authority has no operational housing stock of its own and therefore also has no vacant dwellings.

### 5. ANALYSIS OF MOVEMENT ON MAJOR REPAIRS RESERVE

The Major Repairs Reserve was established to show the receipt and use of funds to undertake capital works to Council stock. It represents a clear use of the funds set aside for this purpose with the added flexibility to carry any unspent resources forward into future years. The Reserve cannot be used to offset any rent increases.

The Major Repairs Allowance is a Subsidy from Central Government being a measure of the depreciation of the Council stock with this income being supplemented by a contribution from the HRA to provide the resource for the capital works. During 2006-07 there were no further receipts of subsidy. There was a net credit during the year as a result of billing WPH for some costs borne in earlier years by the authority under agency arrangements.

	£
<b>Balance as at 1 April 2006</b>	(4,552,987)
<b>Movements 2006-2007: -</b>	
Transfers to the MRR	-
MRA Allocation of Subsidy	-
Capital Expenditure	(77,824)
<b>Balance as at 27 March 2007</b>	<b>(4,630,811)</b>
<b>Transfer to General Fund upon Closure of HRA</b>	<b>4,630,811</b>
<b>Balance as at 31 March 2007</b>	<b>0</b>

Under the partnership arrangements agreed as part of the stock transfer, upon closure of the HRA the balance on this account will be placed in the Authority General Fund before being transferred to a Community Fund to be used to finance housing improvement and regeneration schemes in Wirral.

## 6. CAPITAL EXPENDITURE AND DISPOSALS DURING THE YEAR

During the 2006-07 financial year a net credit value of £77,824 arose in relation to capital expenditure activities. This was mainly due to the invoicing for works previously shown within the authority accounts in earlier years but chargeable to WPH, offset by transactions relating to residual adaptation costs and contract retentions which were a liability falling upon the HRA. This was funded from the Major Repairs Reserve.

In addition to the above, the authority invoiced a further £1.2 million of capital expenditure during 2006-07 to Wirral Partnership Homes for expenditure identified as owing at the end of the 2005-06 financial year. This expenditure was mainly for central heating works and adaptations and is shown within the authority accounts as a debtor. The capital expenditure is therefore not chargeable to the Reserve but will be paid for by WPH.

Capital receipts generated through the sale of actual HRA assets during the year were nil as sales of former council dwellings are now in the accounts of Wirral Partnership Homes and Beechwood and Ballantyne Community Housing Association.

Under the stock transfer arrangements the authority is entitled to receive a share of any capital receipts from the sale of former HRA housing stock. This is calculated after agreed deductions for lost rental income and administration costs. The share due to the Authority for 2006-07 totals £1,839,711 and is included in the accounts as a deferred capital receipt as the money will actually be paid by the two RSLs to the authority during the 2007-08 financial year.

In addition to the above sale income, £103,000 was received in relation to mortgage principal repayments and £62,000 received relating to repaid council house sale discounts.

## 7. CAPITAL CHARGES

Under the principles of Resource Accounting the HRA includes a charge for the use of any assets (capital charge) and a cost equivalent to the 'wear and tear' of these assets (depreciation). The cost of capital charge reflects the cost of public sector capital tied up in council housing and other HRA assets. The depreciation element reflects the consumption of those assets over their useful life.

Due to the transfer of assets and the repayment of outstanding HRA debt during 2004-05, no capital charge or depreciation costs have been incurred or charged to the HRA in 2006-07.

Within the financial statements the 'net cost of services' section shows whether the income raised from rents is sufficient to meet the cost of providing the housing service and also to generate a 3.5% return on capital. In order that the HRA meets the full cost of any outstanding debt an adjustment is made within the 'operating expenditure' section of the account. As per the above this adjustment does not apply for 2006-07.

The HRA should bear its share of the authority's debt financing and management costs. The capital charges themselves should not impact on the amount of revenue that should need to be raised to achieve a balanced budget. The cost of capital is in effect adjusted in the HRA by means of the capital accounting charges adjustment to ensure that the HRA only bears its true share of interest costs. Again as per the above reasons this does not apply to the 2006-07 accounts.

## 8. DEPRECIATION AND IMPAIRMENT

Due to the transfer of assets to the new housing companies no charges either for depreciation or impairment of assets were applicable during 2006-07.

## 9 DEFERRED CHARGES

Deferred charges of £67,876 were attributable to the HRA during 2006-07. These were in relation to home loss and disturbance payments in respect of the demolition of properties and for other residual transactions chargeable against the Major Repairs Reserve.

## 10 ENTITLEMENT TO HOUSING SUBSIDY

The authority received £199,881 of housing subsidy during 2005-06. It had been assumed that as the authority has no housing stock that this would be recovered once the final housing subsidy claim was submitted. However this has not occurred and a further £51,743 of subsidy was received during 2006-07. These amounts have been brought into the Housing Revenue Account during 2006-07. However there is some uncertainty regarding any possible clawback

Determination of HRA Subsidy	2005-06 £000	2006-07 £000
Management & Maintenance	-	-
Major Repairs Allowance	-	-
Charges for Capital	223,247	75,229
Other Items of Reckonable Expenditure	-	-
Interest on Receipts	(23,366)	(23,486)
Notional Income from Rents	-	-
Rent Rebate Element Entitlement	-	-
Total of HRA Subsidy Entitlement for year	<u>199,881</u>	<u>51,743</u>

In addition during 2006-07, £510,759 was received in settlement of an outstanding housing subsidy balance in relation to the 2003-04 year. This cleared the debtor outstanding for this item within the authority's consolidated balance sheet

## 11. HRA SHARE TO OR FROM THE PENSION RESERVE

There was no contribution to or from Pension Reserves during 2006-07. Following the stock transfer the HRA has no employees. There was therefore no requirement for any pension reserve adjustments.



## 12. RENT ARREARS

As part of the stock transfer arrangements the authority sold the rent arrears existing at the point of transfer to the two housing companies. The existing bad debt provision was utilised to meet the shortfall between the debt outstanding and the income received for the sale of debts. There was therefore a nil balance outstanding at 1 April 2006 and a nil balance at 31 March 2007. This reflects the position that the authority has no ownership of stock on which to incur arrears.

## 13. HRA SET ASIDE / POOLED CAPITAL RECEIPTS

Sales of HRA assets are subject to regulation governing the proportion that can be used by authorities for re-investment in capital expenditure programmes and which must be set aside to repay outstanding debt. New capital receipt pooling arrangements came into effect from 1 April 2004. Authorities previously were allowed to retain set aside capital receipts in their own accounts to repay outstanding debt. Under the new arrangements the set aside element is paid to a Central Government Pool, which can then be redistributed.

The changes to the capital receipt arrangements do not directly effect the HRA as they are of a capital nature.

During 2006-07 the authority received £165,098 of capital receipts relating to HRA assets. This includes mortgage repayments and repaid discounts. Of this, £123,823 will be repayable to the Central Government Pool.

## 14. HRA BALANCES

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

A condition of the Housing Stock Transfer arrangements was that set up costs for establishing Wirral Partnership Homes of up to £5,093,400 will be funded from the remaining balances of the HRA and Major Repairs Reserve. The loan outstanding at 31 March 2007 was £3,693,325.

The balances transferred to the General Fund were as follows:

	£
Housing Revenue Account Balance	4,140,592
Major Repairs Reserve	<u>4,630,811</u>
Total Transferred to General Fund 27 March 2007	<u>8,771,403</u>

## 15. HRA CONTINGENCY

There are a number of outstanding liabilities which may arise in later years. These include outstanding contract retentions and rechargeable jobs, unrealised income from the former trading operation and unrealised income for items contained within the balance sheet. There are a number of areas where debts exist and the assumed income already accounted for may be disputed and unrealised. In addition there may be unforeseen liabilities.

The above items could result in a charge to the authority's revenue accounts in later years. A reserve has therefore been established of £1.5 million to cover such eventualities. On closure of the HRA this was transferred to the General Fund.

**ADDITIONAL FINANCIAL STATEMENTS: COLLECTION FUND**

**COLLECTION FUND**

**INCOME AND EXPENDITURE ACCOUNT**

<b>2005-06</b>		<b>2006-07</b>
<b>£000</b>		<b>£000</b>
	<b>Income</b>	
104,176	Council Tax (Note 2)	108,680
	Transfers from General Fund	
24,727	Council Tax Benefits	23,872
	Income Collectable from	
<u>51,676</u>	Business Rate Payers (Note 3)	<u>54,843</u>
<b>180,579</b>		<b>187,395</b>
	<b>Expenditure</b>	
127,795	Precepts from District, Police and Fire (Note 4)	133,764
	Business Rate	
51,312	- Payment to National Pool	54,483
363	- Costs of Collection	360
	Bad and Doubtful Debts	
735	- Provisions	(104)
	Contribution to Preceptors from previous year's	
<u>1,400</u>	Council Tax Surplus (Note 5)	<u>1,700</u>
<b>181,605</b>		<b>190,203</b>
<u>(1,026)</u>	<b>Movement on fund balance</b>	<u>(2,808)</u>
	<b><u>COLLECTION FUND BALANCE</u></b>	
3,243	<b>Fund Balance b/f 1 April</b>	2,217
<u>(1,026)</u>	<b>Movement in year</b>	<u>(2,808)</u>
<u><u>2,217</u></u>	<b>Fund balance c/f 31 March</b>	<u><u>(591)</u></u>

## NOTES TO THE ADDITIONAL FINANCIAL STATEMENTS - COLLECTION FUND

### 1. GENERAL

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

### 2. INCOME FROM COUNCIL TAX

The Authority set a Council Tax in 2006-07 for each band of dwelling as shown below:

Band	£	Band	£
<b>A</b>	851.06	<b>E</b>	1,560.28
<b>B</b>	992.92	<b>F</b>	1,843.98
<b>C</b>	1,134.75	<b>G</b>	2,127.66
<b>D</b>	1,267.60	<b>H</b>	2,553.20

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	57,975	9,442.00	48,533.00	6/9	32,355.30
B	29,722	3,495.25	26,226.75	7/9	20,398.60
C	26,987	2,624.25	24,362.75	8/9	21,655.80
D	12,934	1,093.50	11,840.50	1	11,840.50
E	7,986	628.50	7,357.50	11/9	8,992.50
F	4,321	306.25	4,014.75	13/9	5,799.10
G	3,115	551.00	2,564.00	15/9	4,852.50
H	253	39.00	214.00	18/9	428.00
	<u>143,293</u>	<u>18,179.75</u>	<u>125,113.25</u>		<u>106,322.30</u>
Add Government Dwellings					4.00
Add Band A Disabled Relief Band D Equivalent					50.80
<b>Total</b>					<b><u>106,377.10</u></b>

After a 1.5% provision for uncollectables the overall tax base for the Authority totalled 104,781

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

	2005-06 £000	2006-07 £000
Cash Payable	104,176	108,680
Council Tax Benefit	24,727	23,872
	<u>128,903</u>	<u>132,552</u>

### 3. INCOME FROM BUSINESS RATE-PAYERS

The Authority collects Non-Domestic rates for its area. This is based on local estimated rateable values of £157,606,575 multiplied by a uniform rate of £0.433p in 2006-07. The total amount less certain relief and costs of collection is paid to a central pool managed by the 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 Authority's General Fund. The total rateable value of all hereditaments within the Authority area at 31 March 2007 was £156,102,380

### 4. PRECEPTS

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

	<b>2005-06</b>	<b>2006-07</b>
	<b>£000</b>	<b>£000</b>
Wirral Council	110,062	115,188
Merseyside Fire and Civil Defence Authority	5,635	5,849
Merseyside Police Authority	12,098	12,727
	<u>127,795</u>	<u>133,764</u>

### 5. CONTRIBUTION FROM/TO COLLECTION FUND

A year-end surplus/deficit on the Council Tax element of the Collection Fund is only distributed/recovered between the billing and precepting authorities where an estimated surplus/deficit has already been notified to those authorities. For 2005-06 the surplus notified to the precepting authorities in respect of 2005-06 and distributed in 2006-07 was: -

	<b>2006-07</b>
	<b>£000</b>
Wirral Council	1,464
Merseyside Fire and Civil Defence Authority	161
Merseyside Police Authority	75
	<u>1,700</u>

### 6. BALANCES

The balance is in respect of Council Tax and is shared in proportion to the precepts on the Collection Fund. The deficit allocated on the basis of the 2007-08 precept votes is as below. In the Balance Sheet Police and Fire are classed as debtors.

Payable from:

	<b>£000</b>
Wirral Council	508
Merseyside Police Authority	57
Merseyside Fire and Civil Defence Authority	26
	<u>591</u>

## STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

### 1. Scope of Responsibility

Wirral Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of functions and which includes arrangements for the management of risk.

### 2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the authority's aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Wirral Council for the year ended 31 March 2007 and up to the date of the approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

### 3. The Internal Control Environment

The key elements of the Council's internal control environment are as follows:

- The Council has adopted a Constitution, which sets out how it operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Incorporated within the Constitution are Financial and Contract Procedure Rules that govern all activity within these areas. The Constitution has been codified into one document and is available on the Intranet and external web pages.
- The Council has established a Corporate Plan and Statement of Intent setting out its objectives and targets for achievement. This is supported by individual service improvement plans identifying actions to be taken to achieve objectives.
- The Council facilitates policy and decision-making through the establishment of a Cabinet Committee Structure. Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the council can make decisions under their delegated authority.
- The Council ensures compliance with established policies, procedures, laws and regulations. There is a comprehensive corporate induction programme in place and information regarding policies are held on our Intranet. Presentations, briefings and training are provided to all staff on a regular basis to promote these policies and procedures and ensure continued awareness and compliance.
- The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, its Committees and Chief Officers under delegated powers.
- The Council has adopted a "Local Code of Corporate Governance" in accordance with the CIPFA/SOLACE Framework for Corporate Governance. The local code contains appropriate monitoring and reporting procedures, and can be found on the Council's website.

- • The Council has robust systems for identifying and evaluating all significant risks, developed and maintained with the pro-active participation of all those associated with planning and delivering services. The Council adopted a Risk Management Policy and Strategy in 2004. This explains the methodology which provides a comprehensive framework for the management of risk throughout the Council. A cross-departmental risk management group has defined Terms of Reference to develop a comprehensive performance framework for risk management and to embed risk management across the authority. A Corporate Risk Register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks. A designated Risk Management Officer has been appointed and has approached embedding risk management in accordance with best practice guidance as a “top down” process via presentations, training and the facilitation of workshops to promote this process.
- Through reviews by External Audit, various external agencies and Inspectorates, Internal Audit, its Corporate Improvement team and Best Value teams, the Council constantly seeks ways of securing continuous improvement in the way in which it utilises its resources and exercises its functions, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. A wide range of Best Value reviews of services have been carried out and detailed improvement plans from these put in place.
- Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Individual training needs are constantly identified through the Key Issues Exchange process and fed into the Departmental Training plan and addressed by the Corporate Training Group.
- The Council has designated the Head of Legal and Member Services as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.
- The financial management of the authority is conducted in accordance with the Financial Procedure Rules set out in the Constitution. The Council has designated the Director of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three year Financial Strategy, updated annually, to support the medium term aims of the Corporate Plan. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated.
- In order to provide an independent review of the adequacy of the system of internal control, the Council maintains an effective Internal Audit Section, which operates to the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government, the Institute of Internal Auditors Standards and existing Auditing Practices Board Standards. Internal Audit has well-established protocols for working with External Audit and other external review bodies and all work undertaken is reported to Members and Chief Officers on a quarterly basis and subject to annual review by the Council’s External Auditors.
- In order to comply with the amended requirements of the Accounts and Audit Regulations 2006, the Council commissioned a review of the effectiveness of the ‘system of internal audit’ in operation for 2006/07 and a report was prepared for the Audit and Risk Management Committee identifying the findings. The review involved an assessment of the internal audit service against the CIPFA Code of Practice for Internal Audit in Local Government, a survey of “Customer Satisfaction” through the completion of questionnaires by Chief Officers and Heads of Service and the findings from external reviews undertaken of the service over the period. An action plan developed to address and implement a number of recommendations arising from this review has been implemented by the Chief Internal Auditor.
- The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

- The Council has an objective performance management framework as set down in its document "Wirral's Best Value Performance Plan". The system is driven by the Corporate Plan which focuses attention on corporate priorities. This is cascaded through departmental service plans, individual employee key issue exchanges and actions plans. It is clearly laid out in the annual service and financial planning and performance management cycle. The Council's policy committees monitor and scrutinise progress against targets and performance in priority areas affecting relevant service areas, and consider and approve corrective action where necessary.

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

The Council has responsibility for conducting annually a review of the system of internal control. The review of the effectiveness of internal control is informed by the work of the internal auditors and the senior managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- The Council has developed key policy documents, such as the Corporate Plan and Statement of Intent through which the Council expresses its objectives and puts in place the mechanisms by which it can monitor their achievement. Regular progress reports are presented to Cabinet and subject to scrutiny. Departmental Service Improvement Plans that contain a variety of performance indicators and targets, that are regularly reviewed are maintained on the corporate Performance Information System, support these plans.
- The Head of Legal and Members Services (Monitoring Officer) has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Constitution is reviewed annually.
- The Council continues to assess how its overall Corporate Governance responsibilities are discharged. In particular the Council has adopted the CIPFA/SOLACE Corporate Governance in Local Government Framework and has developed and implemented a Local Code of Corporate Governance.
- The arrangements for the provision of Internal Audit are contained in the Financial Procedure Rules of the Councils Constitution and detailed in the Internal Audit Charter. The Director of Finance is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2003. The internal audit provision is managed, independently by the Chief Internal Auditor and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.
- Internal Audit are responsible for monitoring the quality and effectiveness of systems of internal control. The work of the section is based upon an assessment of risk to which the Council is exposed and, from this, a three-year Strategic Audit Plan is produced. An Annual Audit Plan is derived from the strategic plan with resources allocated to reflect the level of assessed risk in each area. The plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk to the Council's corporate governance arrangements and reviews of the main financial systems, establishment visits and fraud investigations. The Audit Plan is discussed and agreed with Chief Officers, Members and the Council's External Auditors.
- All reports include an assessment of the adequacy of internal controls and prioritised action plans to address any identified weaknesses. These are submitted to Members, Chief Officers, School Heads and Chairs of Governors as appropriate.

- Opinions expressed in the Annual Internal Audit Report regarding the effectiveness of internal control systems within Departments of the Council are informed by audit work undertaken during the year and assurance statements prepared by senior managers and Chief Officers on an annual basis. These statements reflect the best practice guidance recommended in the CIPFA Advisory Network's publication 'Statement on Internal Control – Meeting the Requirements of the Accounts and Audit Regulations 2003 – A Guide for Practitioners'. An exercise is undertaken annually by Internal Audit to obtain these assurance statements from all Departments and complete detailed reality testing to verify the accuracy of the contents. Reports and action plans are prepared for Members and Chief Officer's identifying weaknesses in systems of control and recommending appropriate actions.
- The Chief Internal Auditor reports to the Deputy Director of Finance representing the Director of Finance. The Chief Internal Auditor also regularly reports to the Chief Executive at scheduled meetings and reports to the Audit and Risk Management Committee on items of note and progress toward achieving the Audit Plan. The Audit and Risk Management Committee approved the Annual Internal Audit Plan for 2006-07.
- The Internal Audit is subject to regular inspection by the Council's External Auditors who place reliance on the work carried out by the section and indicate in their most recent review, undertaken in 2006-07, that "internal audit provide an effective service that makes a good contribution to the control environment of the Council".
- To comply with the amended requirements of the Accounts and Audit Regulations 2006, an independent review of the effectiveness of the system of internal audit has been conducted, as identified in Section 3, and the findings reported to Members. It is planned to develop this annual review process in line with any best practice guidance, as it becomes available.
- A formal review of the Risk Management Policy Statement and Strategy is undertaken every 2 years to ensure their continued relevance to the Council. The annual review also assess performance against the aims and objectives of the Risk Management Strategy.
- The Corporate Risk Management Group reports on a quarterly basis to Members and to Chief Officer's progress against individual actions required to manage the key corporate risks and any new risk issues that have been placed on the corporate risk register.

## **5. Internal Control Issues**

Internal Audit has concluded that, based on the work undertaken, overall throughout the Authority there are sound systems of internal control in place. However, improvements in the internal control environment can always be made and reports have been produced and discussed with Chief Officers and Members during the year that recommend appropriate actions to be taken within an agreed timescale to address identified weaknesses and improve systems of control in key areas.

The following are significant issues that have arisen from the work undertaken in conjunction with the relevant Chief Officers during 2006-07:

- The Audit Commission in a review of the Council's performance management arrangements for Data Quality during 2006-07 concluded that "the arrangements in place meet standards and are developing, although they are not being applied consistently". In a report for Chief Officers and Members the Council was assessed over 5 key areas and the following comments made. An action plan identifying 17 areas for improvement has been agreed with Chief Officers and scheduled for implementation during 2007-08:
  - a. Governance

Arrangements are assessed as not being formalised in an overarching quality strategy and objectives, roles and responsibilities not being clearly defined or embedded within the Council's performance management framework, and monitoring and review not being consistent.



b. Policies

Arrangements in this area are assessed as being in need of strengthening with specific data quality policies and procedure required to be communicated to all staff involved in collecting, monitoring and evaluating performance information.

c. Systems and Processes

The arrangements are assessed as generally exceeding the required standards, however are not being applied consistently.

d. People and Skills

The arrangements in this area are assessed as being weak and in need of development.

e. Data Use

The arrangements are assessed as being effective.

Reliable, accurate and timely information is essential to ensure that services are managed effectively, users are informed and performance accurately accounted for, It is important therefore that these issues are addressed in accordance with the agreed action plan and timescale. Work will be undertaken by Internal Audit during 2007-08 to evaluate progress towards implementing the agreed actions and reports prepared for Members on this.

- Significant progress has been made by the Council to ensure that effective internal controls are in operation within systems for delivering effective Corporate Governance. Whilst this has been acknowledged in reports to Chief Officers it has also been recommended that the Council should continue to develop these systems in line with best practice, particularly with regards to the development of an effective ethical framework and the assessment of standards of conduct.

Action plans have been prepared for Chief Officers that identify actions required to address all of the issues identified within a specified timetable and agreement has been reached with those officers responsible regarding their implementation. Progress will continue to be monitored during 2007-08 and reports prepared for Members at regular intervals. In June 2007, CIPFA/SOLACE intend to release a new code of corporate governance entitled "Delivering Effective Governance in Local Government" that will increase the requirement for Council's to demonstrate good governance in a more open and transparent way in all aspects of its work. A significant amount of work will need to be undertaken to ensure that Wirral Council complies with this guidance; responsibility for ensuring that this happens has been delegated to the Corporate Governance Monitoring Group chaired by the Chief Executive who will take a lead role in this development.

- A significant issue identified by the Audit Commission in previous years relating to the inadequacy of the Disaster Recovery and Business Continuity systems in operation at the Council has to a large degree been addressed. The Council appointed a firm of external consultants with expertise in this area to evaluate the arrangements in place and prepare an action plan identifying recommendations to improve systems and ensure compliance with the Civil Contingencies Act 2004. The majority of the recommendations identified have been implemented although further progress is still required in the following area:
  - a. A programme of review and testing of business/service continuity plans for all critical service areas has not yet been prepared or put into place.

This issue is being addressed with some urgency to enable the Council to obtain assurance that the actions implemented following the external review of Disaster Recovery and Business Continuity have been successful in addressing all outstanding risk. This issue has been identified in a report for Chief Officers and follow up work is scheduled for 2007/08 to evaluate progress made towards implementing the recommendation.

- Work has been undertaken during the year to evaluate the progress made by the Adult Social Services Department to address a number of significant issues identified during a previous internal audit review concerning the systems in operation for assessing and collecting income by the department. Many of the issues identified in audit reports have either been addressed or are in the process of being addressed in accordance with the agreed action plan however, it is noted that whilst the control environment has improved and systems are more robust, collection rates have not increased in line with projections and the outstanding debt owed to the department is still significant. This has been identified in reports to Chief Officers and Members and recommendations made in an action plan regarding actions required to try and address these issues. The action plan has been agreed with management and we are assured will be implemented during 2007-08.
- The Council has experienced a significant number of problems during the year with the Creditor Payments control environment following the transfer to the new creditors system. During the transfer a large backlog of invoices arose in the Corporate Payments Team, primarily as a result of staff from within all departments not being as adequately prepared for the change as was required. This resulted in a significant number of different types of input error being experienced that only exacerbated the situation, fuelled the already significant backlog and resulted in many payments being processed incorrectly.

Following the work undertaken by internal audit, reports were prepared for Chief Officers and the Audit and Risk Management Committee and an action plan agreed to address all of the issues identified and prevent any re-occurrence of this type of incident. Follow up work undertaken by internal audit later in the year indicated that some progress had been made to implement the action plan and recover the overpayments made, however significant work is still required to ensure that all relevant payments are recovered and that the control environment is strengthened to reduce any future risks. Actions required have been identified in a report to the relevant Chief Officer on this and appropriate actions agreed.

- A review of the effectiveness of the physical security arrangements in operation at all of the major office complexes during the year indicated that there were some fundamental issues that needed to be addressed to ensure the continued safety and well being of the workforce employed at, and any visitors to these buildings. Issues identified included the lack of any documented security policies, a failure to undertake effective risk assessments, alarms not being tested and access card systems not being fit for the purpose. Reports containing action plans to address all of the issues identified have been prepared for Chief Officers and Members and implementation is scheduled for 2007-08. Internal Audit intend to undertake some follow up work during 2007-08 to evaluate progress made towards implementing actions required and will be reporting any findings to Chief Officers and Members.
- The findings of a review of the effectiveness of the Recruitment and Selection policies and procedures in operation across the Council indicated that whilst the systems in place concerning permanent appointments were effective, a number of issues were identified in respect of those appointments of a temporary nature. The main issues concern the lack of a consistent policy and the failure to conduct proper checks on prospective appointees. Actions have been agreed with Chief Officers and reported to Members and progress is currently being made to address these issues that should be resolved during 2007-08.

The Council is actively developing the way it works with partners and organises itself to deliver services. Developments of this nature require careful management and the Council has sought to identify and minimise the impact of all risks associated with this change. Chief Officers have identified the risks involved with this type of activity and have prepared plans to contain the risks that have included in some instances amending the Councils Contract Procedure Rules to include specific controls relevant to this type of contract to ensure that projects are completed on time, within budget, and deliver the necessary improvements.

The Council is currently experiencing some problems concerning the process for implementing the new 1Business system. On account of the scale and nature of this project the risks posed are not insignificant and could have far reaching consequences for the Council and its ability to deliver effective services if these issues are not resolved. It is acknowledged that significant work is currently being undertaken by Council officers in conjunction with Fujitsu to identify and address these problems and reports have been prepared for Chief Officers and Members on a regular basis, advising them of the issues and any progress that is being made. It is important that this work continues and the situation is brought to satisfactory conclusion with some urgency.

Substantial work has been undertaken throughout the year by the Council to assess the implementation of the Risk Management Framework. The overall opinion is that significant progress has been made towards the development of an effective risk management framework within the Authority and the current arrangements are rated as being satisfactory and improving. Further progress still needs to be made in a number of areas including the following to ensure that the infrastructure remains in place to advance the risk maturity and ensure that risk management continues to be completely embedded in the culture of the organisation;

- Complete the development and implementation of the Risk Management Strategy for the Council that includes an identification of the Council's risk appetite and tolerance level and guidance on assessing and managing risks with partners and external organisations.

The Council has agreed an action plan to address all of the areas identified for improvement arising from the work undertaken and Members will continue to be regularly notified of any progress being made.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

(Chief Executive)

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

(Leader of the Council)

## MERSEYSIDE PENSION FUND ACCOUNTS

### FINANCIAL STATEMENTS

#### FUND ACCOUNT

For the year ended 31 March 2007

	NOTE	2006 £000	2007 £000
<b>Contributions and Benefits</b>			
Contributions receivable	3	184,304	200,964
Transfers in		20,131	16,353
		<u>204,435</u>	<u>217,317</u>
Benefits payable	4	174,933	185,051
Leavers	5	17,682	16,754
Administration expenses		3,253	4,253
		<u>195,868</u>	<u>206,058</u>
<b>Net additions from dealings with members</b>		<b>8,567</b>	<b>11,259</b>
<b>Return on Investments</b>			
Investment Income	6	70,181	61,718
Change in market value of investments	7	679,507	187,559
Exchange		330	(1,874)
Investment management expenses	8	(4,058)	(4,091)
<b>Net return on Investments</b>		<u>745,960</u>	<u>243,312</u>
<b>Net increase in the fund during the year</b>		<b>754,527</b>	<b>254,571</b>
Net Assets of the fund start of the year		<b>3,287,006</b>	<b>4,041,533</b>
Net Assets of the fund end of the year		<u><b>4,041,533</b></u>	<u><b>4,296,104</b></u>
<b>NET ASSETS STATEMENT AS AT 31 MARCH</b>			
	NOTE	2006 £000	2007 £000
<b>Investments</b>			
Fixed Interest Securities	7	-	-
Index - linked Securities		-	-
Other Investments		120,743	137,150
Equities		1,065,982	1,077,743
Managed or Unitised Funds		2,409,519	2,589,491
Properties		307,225	355,475
Short Term deposits		103,974	116,573
		<u>4,007,443</u>	<u>4,276,432</u>
<b>Other Assets and Liabilities</b>	9	34,090	34,090
		19,672	19,672
<b>Net Assets of the Fund at 31 March 2007</b>		<u><b>4,041,533</b></u>	<u><b>4,296,104</b></u>

## NOTES TO THE PENSION FUND ACCOUNTS

### 1. GENERAL

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

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

### 2. ACCOUNTING POLICIES

#### **Basis of Preparation**

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

#### **Valuation of Investments**

Investments are stated at market value. For this purpose unlisted investments are included at manager's valuation and properties at professional valuation. For listed securities the stock exchange values are used. Properties have been valued independently by Colliers Erdman Lewis, Chartered Surveyors as at 31 March 2007.

#### **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 in advance received on the Quarter Day, 25 March, is accounted for in full in the following year.

#### **Contributions and Benefits**

Contributions are accounted for on an accruals basis. Benefits payable represent the benefits paid during the financial year and include an estimated accrual for lump sum benefits outstanding as at the year end.

#### **Transfers to other schemes**

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

### Investment Management Expenses

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

#### 3. CONTRIBUTIONS RECEIVABLE

		<b>2006</b> <b>£000</b>	<b>2007</b> <b>£000</b>
<b>Employers</b>	Normal	125,920	140,611
	Early retirement funding	11,523	12,872
<b>Employees</b>	Normal	46,861	47,481
		<u>184,304</u>	<u>200,964</u>
<b>Relating to:</b>			
	Administering Authority	27,394	28,664
	Statutory Bodies	135,755	149,350
	Admission Bodies	21,155	22,950
		<u>184,304</u>	<u>200,964</u>

#### 4. BENEFITS PAYABLE

		<b>2006</b> <b>£000</b>	<b>2007</b> <b>£000</b>
Pensions		150,533	157,286
	Lump sum retiring allowances	21,810	25,388
	Lump sum death benefits	2,590	2,377
		<u>174,933</u>	<u>185,051</u>
<b>Relating to:</b>			
	Administering Authority	26,394	26,715
	Statutory Bodies	132,401	140,205
	Admission Bodies	16,138	18,131
		<u>174,933</u>	<u>185,051</u>

#### 5. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

		<b>2006</b> <b>£000</b>	<b>2007</b> <b>£000</b>
Refunds to members leaving service		255	62
	Payment for members joining state scheme	111	(23)
	Individual transfers to other schemes	17,316	16,715
		<u>17,682</u>	<u>16,754</u>

## 6. INVESTMENT INCOME

	2006 £000	2007 £000
Fixed interest securities	11,555	23
Index linked securities	1,194	-
Dividends from equities, managed and unitised funds	35,298	38,453
Net rents from properties	16,242	17,261
Interest on deposits	5,814	5,799
Other	78	182
	<u>70,181</u>	<u>61,718</u>

As at 31st March 2007, £78.8 million of stock was on loan to market makers, which was covered by non-cash collateral totalling £86.5 million. Income from stock lending is shown under "Other".

## 7. INVESTMENTS

	Market Value 31.3.06 £000	Purchases at cost £000	Sale Proceeds £000	Change in Market* value £000	Market value 31.3.07 £000
Fixed Interest Securities	-	-	-	-	-
Index linked securities	-	-	-	-	-
Equities	1,065,982	464,884	521,732	68,609	1,077,743
Managed & Unitised Funds	2,409,519	451,940	367,950	95,982	2,589,491
Other	120,743	28,780	15,651	3,278	137,150
Properties	307,225	53,119	24,559	19,690	355,475
Short term deposits	103,974	12,599	-	-	116,573
	<b>4,007,443</b>	<b>1,011,322</b>	<b>929,892</b>	<b>187,559</b>	<b>4,276,432</b>

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

	2006 £000	2007 £000
<b>Fixed Interest Securities (Segregated Holdings)*</b>		
UK Fixed Interest	-	-
UK Corporate Bonds	-	-
Overseas Fixed Interest	-	-
	-	-
<b>Indexed - Linked Securities (Segregated Holdings)</b>	-	-
<b>Equities (Segregated Holdings)</b>		
UK Quoted	438,542	461,412
Overseas Quoted	627,440	616,331
	<u>1,065,982</u>	<u>1,077,743</u>

\*Other than Corporate Bonds, all are public sector securities.

**Managed\* and Unitised Funds**

UK Fixed interest	241,444	188,228
UK Corporate Bonds	192,970	296,927
Overseas Fixed Interest	26,181	27,043
Index-Linked Securities	425,995	450,516
UK Equities	883,391	938,721
Overseas Equities	517,035	533,038
Unlisted Securities (Private Equity)	83,003	100,153
Property Unit trusts	39,500	54,865
	<u>2,409,519</u>	<u>2,589,491</u>

**Other Investments**

	<u>120,743</u>	<u>137,150</u>
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**UK properties**

Freehold	245,700	299,225
Leasehold	61,525	56,250
	<u>307,225</u>	<u>355,475</u>

**Short Term Deposits**

	103,974	116,573
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**8. INVESTMENT MANAGEMENT EXPENSES**

Fees paid to the 6 major investment managers amount to £3.914m and constitute the bulk of the figure of £4.091m investment management fees. Charges vary between fund managers and between markets and types of security. Charges are calculated as a percentage of the value of the investments.

**9. CURRENT ASSETS AND LIABILITIES**

	<b>2006</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<b>Assets</b>		
Contributions due	16,840	15,214
Accrued and outstanding investment income	7,067	7,290
Due from stockbrokers	12,274	3,768
Cash at bank	8,179	4,846
Sundries	4,457	5,467
	<u>48,817</u>	<u>36,585</u>
<b>Liabilities</b>		
Due to stockbrokers	1,305	4,093
Transfer values payable	5,000	5,095
Provisions	935	304
Miscellaneous	7,487	7,421
	<u>14,727</u>	<u>16,913</u>
<b>Total Other Assets and Liabilities</b>	<b>34,090</b>	<b>19,672</b>

The figure of debtors does not include future payments from employers who are making special additional payments in respect of early retirement costs over an agreed number of years. The transfer values payment figure reflects an anticipated payment from the Fund due for payment in 2007-08 in respect of the service of a significant group of former MPF members who have moved their service to new employer.



## 10. COMMITMENTS

Commitments for investments amounted to £100,388,000 at 31 March 2007.

## 11. RELATED PARTY TRANSACTIONS

Administration and investment management costs include charges by Wirral Council in providing services in its role as administering authority to the fund, which amount to £3,291,000 (2006 £3,087,000). Such charges principally relate to staffing required to maintain the pension service. A specific declaration has been obtained from principal officers and pension Committee members regarding transactions with such persons or their related parties. No declarable related party transactions have been reported.

## 12. SUMMARY OF MANAGERS' PORTFOLIO VALUES AT 31 MARCH 2007

	£m	%
<b>Externally Managed</b>		
Barclays Global Investors	549	12.8
JP Morgan	122	2.9
Nomura	364	8.5
Schroders	304	7.1
Legal and General (Pooled Assets)	1,212	28.3
Legal and General (Bonds)	303	7.1
	<u>2,854</u>	<u>66.7</u>
<b>Internally Managed</b>	1,422	33.3
	<u>4,276</u>	<u>100.0</u>

## 13. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Committee hold assets invested separately from the main fund. The Scheme providers are Equitable Life, Standard Life and Prudential. Members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2006 £000	2007 £000
Equitable Life	3,893	3,633
Standard Life	6,316	6,859
Prudential	2,264	3,089
	<u>12,473</u>	<u>13,581</u>

## 14. OPERATIONS AND MEMBERSHIP

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

## 15. ACTUARIAL VALUATION

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

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

At 31 March 2006 net assets of the fund amounted to £4,041m.

At 31 March 2007 net assets of the fund amounted to £4,296m.

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

## GLOSSARY OF FINANCIAL TERMS

For the purpose of the Code of Practice the following definitions have been adopted.

### ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- i) recognising;
- ii) selecting measurement bases for; and
- iii) presenting assets, liabilities, gains, losses and changes to reserves.

### ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid. An accrual is an amount charged to the Accounts for goods or services received or given during the year for which payments have not yet been made or income is due but not yet received.

### ACQUIRED OPERATIONS

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. Acquired operations are those operations of the local authority that are acquired in the period.

### ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because:

- i) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- ii) the actuarial assumptions have changed.

### BALANCES AND RESERVES

These represent the accumulated "free" monies of the authority. General Fund Balances may be utilised to reduce the Council Tax. Reserves are often earmarked for specific purposes, including the financing of future capital expenditure, replacement or renewals and the funding of future defined Council initiatives.

### BUDGET

Statement of spending plans for the year

### BUSINESS RATES

See Non Domestic Rates

### CAPITAL CHARGE

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

## **CAPITAL EXPENDITURE**

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

## **CAPITAL FINANCING ACCOUNT**

The introduction of the system of capital accounting from 1 April 1994 required the establishment of this account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

## **CAPITAL FINANCING REQUIREMENT**

Introduced as a result of the Prudential Framework for Capital Accounting and measures the underlying need of the Authority to borrow for expenditure of a capital nature.

## **CAPITAL RECEIPTS**

The proceeds from the sale of capital assets such as land and buildings, which, subject to various limitations (e.g. Pooling obligations contained in the Local Government Act 2003), can be used to finance Capital Expenditure, invested or used to repay outstanding debt on assets originally financed through loan.

## **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.

## **CLASS OF TANGIBLE FIXED ASSETS**

The classes of tangible fixed assets required to be included in the accounting statements are:

### Operational assets

- Council dwellings
- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets

### Non-operational assets

- Investment properties
- Assets under construction
- Surplus assets

## **CODE OF PRACTICE**

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

## **COLLECTION FUND**

The Collection Fund is a separate statutory fund under the provisions of the Local Government Finance Act 1988. It shows the transactions in relation to non-domestic rates, any residual Community Charge and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund. The Collection Fund is consolidated with other accounts of the Authority.

## **COMMUNITY ASSETS**

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

## **CONSISTENCY**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

## **CONTINGENT LIABILITY**

A condition which exists at the balance sheet date where the outcome will be confirmed only in the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a contingent liability is accrued in the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, it will be disclosed in a note to the balance sheet.

## **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

## **CREDITORS**

Organisations and individuals to whom the Council owes money.

## **CURRENT LIABILITY**

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

## **CURRENT SERVICE COST (PENSIONS)**

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

## **CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all their future service. Curtailments include:

- i) termination of employees services earlier than expected, for example as a result of closing or discontinuing a segment of a business; and

- ii) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

## **DEBTORS**

Organisations and individuals who owe money to the Council.

## **DCLG**

Department for Communities and Local Government. The Government department with overall responsibility for local government affairs, though other Government departments also have responsibilities for specific functions.

## **DEFERRED CHARGES**

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

## **DEFERRED CREDITS**

These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed eg. the principal outstanding from the sale of council houses.

## **DEFINED BENEFIT SCHEME**

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

## **DEFINED CONTRIBUTION SCHEME**

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

## **DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

## **DISCONTINUED OPERATIONS**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued when the activities related to the operation have ceased permanently and the termination represents a material reduction in its provision of services.

## **DISCRETIONARY BENEFITS**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers.

## **EMOLUMENTS**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

## **ESTIMATION TECHNIQUES**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

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

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

## **EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

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

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

## **EXTRAORDINARY ITEMS**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

## **FAIR VALUE**

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

## **FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

## **FIXED ASSET**

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

## **FIXED ASSET RESTATEMENT ACCOUNT**

An account required following the introduction of the capital accounting regime from 1 April 1994, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

## **FRS17**

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

## **GENERAL FUND**

This is the account to which the cost for the year of the major functions for which the authority is responsible (excluding the HRA) are charged. Credited to the fund are charges made by the authority, specific Government and other grants and receipts from the Collection Fund.

## **GOING CONCERN**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

## **GOVERNMENT GRANTS**

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

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

This reflects a statutory obligation for local authorities to account separately for the provision of Council houses. The 1989 Local Government and Housing Act introduced far tighter controls than under previous legislation, ring-fencing the HRA so that no subsidy can be received from the General Fund.

## **IMPAIRMENT**

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

## **INFRASTRUCTURE ASSETS**

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

## **INTANGIBLE FIXED ASSETS**

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



## **INTEREST COST (PENSIONS)**

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

## **INVESTMENTS (PENSION FUND)**

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

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

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

Investments, other than those in relation to the pension fund that do not meet the above criteria should be classified as current assets.

## **INVESTMENT PROPERTIES**

Interest in land and/or buildings:

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

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

## **LONG TERM CONTRACTS**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

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

The minimum amount which must be charged to the revenue account each year and set aside as provision for credit liabilities, as required by the Local Government Act 2003.

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

Another name for non-domestic rates.

## **NET BOOK VALUE**

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

## **NET CURRENT REPLACEMENT COST**

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

## **NET EXPENDITURE**

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

## **NET REALISABLE VALUE**

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

## **NON DOMESTIC RATES (NDR)**

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

## **NON-OPERATIONAL ASSETS**

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

## **OPERATING LEASES**

A lease other than a finance lease. This is a method of financing assets which allows the Council to use, but not own an asset. A third party purchases the asset on behalf of the Council, who then pay the lessor an annual rental over the life of the asset.

## **OPERATIONAL ASSETS**

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

## **PAST SERVICE COST/GAIN**

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

## **PRECEPT**

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

## **PRIOR YEAR ADJUSTMENTS**

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

## **PROJECTED UNIT METHOD**

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

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

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

## **PROVISIONS**

These are monies set aside for liabilities or losses which are likely or certain to be incurred but the exact amount and dates are not currently known.

## **PRUDENCE**

The concept that revenue is not anticipated but is recognised only when realised in the form of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty.

## **RECHARGES**

The transfer of costs from one account to another.

## **RELATED PARTIES**

Two or more parties are related parties when at any time during the financial period:

- i) one party has direct or indirect control of the other party; or
- ii) the parties are subject to common control from the same source; or
- iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- i) central government;
- ii) local authorities and other bodies precepting or levying demands on the Council Tax;
- iii) its subsidiary and associated companies;
- iv) its joint ventures and joint venture partners;
- v) its members;
- vi) its chief officers; and
- vii) its pension fund.

Examples of related parties of a pension fund include its:

- i) administering authority and its related parties;
- ii) scheduled bodies and their related parties; and
- iii) trustees and advisers.

For individuals identified as related parties, the following are also presumed to be related parties:

- i) members of the close family, or the same household; and
- ii) partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

## **RELATED PARTY TRANSACTIONS**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- i) the purchase, sale, lease, rental or hire of assets between related parties;
- ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- iv) the provision of services to a related party, including the provision of pension fund administration services;
- v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

## **RETIREMENT BENEFITS**

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

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

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

This is a Government grant in aid of local authority Services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

## **REVENUE EXPENDITURE**

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

## **SCHEME LIABILITIES**

The liabilities of a defined benefit scheme for outgoings due after the valuation date.

Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

## **SETTLEMENT**

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlement includes the transfer of scheme assets and liabilities relating to a group of employees leaving the authority's scheme.

## **SORP**

The CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom- A Statement of Recommended Practice. The SORP sets out the accounting framework for local authorities, in particular guiding on differences from Generally Accepted Accounting Practice as a result of the Government's legislative requirements.

## **SPECIFIC GOVERNMENT GRANTS**

These are designed to aid particular services and may be revenue or capital in nature. Such grants usually have specific conditions attached to them such that they may only be used to fund expenditure which supports a specified set of objectives. Examples of specific grants include dedicated schools grant and housing benefit subsidy.

## **STOCKS**

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

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

## **TOTAL COST**

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

## **UNAPPORTIONABLE CENTRAL OVERHEADS**

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

## **USEFUL LIFE**

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

Please see the Statement of Main Principles, Accounting Policies and Estimation Techniques for further information.

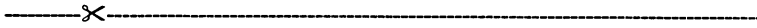


**FURTHER INFORMATION AND FEEDBACK**

**FURTHER INFORMATION**

This Statement is part of the Council's policy to provide information about its affairs. You can access further information on the Council's website [www.wirral.gov.uk](http://www.wirral.gov.uk) including these unaudited Statement of Accounts 2006-07 produced June 2007. In addition members of the public have the statutory right to inspect the accounts before the audit is completed. The availability for inspection being advertised in the local media.

For further information about the accounts or to request this document in another language or format please contact Financial Services Division, details are shown below.



**Feedback**

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

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

YES

NO

Would you like to see more information?

YES

NO

Please make any suggestions for improvements or any other comments below:

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