



Audit and Risk Management Committee

Date:	Wednesday, 30 June 2010
Time:	6.15 pm
Venue:	Committee Room 1 - Wallasey Town Hall

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SUPPLEMENTARY AGENDA

4. STATEMENT OF ACCOUNTS 2009/2010 (Pages 1 - 134)
5. MERSEYSIDE PENSION FUND ACCOUNTS - YEAR ENDED 31 MARCH 2010 (Pages 135 - 148)
11. AUDIT COMMISSION PROGRESS REPORT (Pages 149 - 176)

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

30 JUNE 2010

REPORT OF THE DIRECTOR OF FINANCE

STATEMENT OF ACCOUNTS 2009/10

1. EXECUTIVE SUMMARY

1.1. In line with the Accounts and Audit Regulations 2003 this report requests Committee to approve the 2009/10 Statement of Accounts for signature by the Chair of the Committee on behalf of the Council. A presentation will provide further interpretation of the various elements within the Statement of Accounts and highlight key issues for Members.

2. BACKGROUND

2.1. The Accounts and Audit Regulations 2003 specify that the Statement of Accounts must be presented to an appropriate Committee no later than 30 June.

2.2. I have signed the Accounts certifying that they represent a true and fair view of the financial position of the Authority. The Statement is attached as an Appendix.

2.3. The Accounts are subject to audit and if the Audit Commission requires any material amendments to the Accounts, then as stipulated by the Regulations, these will be reported to the 28 September 2010 meeting of this Committee.

2.4. The Accounts are produced in accordance with the statutory accounting framework laid down by the Accounts and Audit Regulations 2003. The framework is further supported by the Statement of Recommended Practice (SORP). The SORP is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts which presents fairly the position of a local authority.

3 STATEMENT OF ACCOUNTS FORMAT

3.1 The Statement of Accounts contains the following:-

- Explanatory Forward.
- Statement of Principles and Accounting Policies.
- Statement of Responsibilities for the Statement of Accounts.
- Annual Governance Statement.
- The Main Financial Statements.
- Notes to the Main Financial Statements.
 - Collection Fund.
- Merseyside Pension Fund Accounts.

3.2 The Main Financial Statements comprise five key Statements:-

3.2.1 The Income and Expenditure Account

This shows the net cost for the year of all the functions for which the Council is responsible and sets out how the cost has been financed from general Government grants and the Council Tax. It is divided into three sections:-

- Net Cost of Services - this lays out the costs of the different continuing operations, including the cost of support services, net of specific grants and income from fees and charges to give the net cost of services. It also includes the net cost of discontinued operations.
- Net Operating Expenditure - this contains income and expenditure relating to the Council as a whole. When added to the net cost of services this results in the net operating expenditure
- Deficit or Surplus for the year - this shows the income and expenditure from local taxation and general Government grants in the year to give the net deficit or surplus for the year.

3.2.2 The Statement of General Fund Balances

This provides reconciliation between the Income and Expenditure Account and the statutory requirement for the Council to take account of specific items when setting the Council Tax. The surplus or deficit on the Income and Expenditure Account represents the amount by which income is greater than or less than expenditure as measured by accounting practice. However, there are items of income and expenditure that are required to be charged to the General Fund, which are taken into account when determining the budget requirement. They are determined by statute and not accounting practices and are shown in the Statement of Movement on General Fund Balances. This Statement shows the full picture of the financial performance during the year and the balances carried forward.

3.2.3 The Statement of Total Recognised Gains and Losses

This summarises all of the gains and losses of the Council for the year and shows the total increase or decrease in net worth. The Income and Expenditure Account brings together all of the costs of Council services and summarises available resources. However, the Council will be recognising other gains or losses in the Balance Sheet that are not included in the Income and Expenditure Account. The Statement of Total Recognised Gains and Losses brings together these other gains and losses with the Income and Expenditure Account to show the total movement in net worth.

3.2.4 The Balance Sheet details the assets and liabilities.

3.2.5 The Cash Flow Statement details and categorises the value of transactions flowing in and out of the accounts.

4. CHANGES TO THE ACCOUNTS FOR 2009/10

4.1 The most significant changes which apply to accounting periods commencing on or after 1 April 2009 and have affected the Council accounts are set out in the following paragraphs:

4.2 Private Finance Initiative (PFI)

4.2.1 The accounting requirements for PFI and similar contracts are no longer based on the UK Accounting Standard FRS 5 but on International Financial Reporting Standards (IFRS). This represents a change in accounting policy and has required 2008/09 comparators to be restated.

4.2.2 The 2009 SORP has taken the approach of early adoption in 2009/10 of this element of IFRS. In addition to all contracts entered into from 1 April 2009, the requirements also apply in respect of PFI and similar contracts existing at 31 March 2009 and prior period adjustments have been required for these. Additionally PFI properties used to deliver PFI services which were 'off Balance Sheet' have been required to be recognised on the Council Balance Sheet together with a liability for the financing provided by the PFI operator.

4.3 Local Taxes

4.3.1 Accounting for local taxes, National Non-Domestic Rate (NNDR) and Council Tax in England, was not covered in detail in previous SORPs and the requirements are for the first time included specifically in the SORP. The revisions represent changes in accounting policy and are reflected in the policies.

4.3.2 Billing authorities such as Wirral, collect NNDR under what is in substance an agency arrangement for the Government. In following the SORP 2009 billing authorities no longer recognise NNDR debtors in their Balance Sheet and recognise a creditor or debtor for the cash collected from NNDR debtors as an agent of the Government but not paid to the Government, or overpaid to the Government at the Balance Sheet date.

4.3.3 A billing authority such as the Council acts as an agent as it collects and distributes Council Tax income on behalf of the major preceptors and itself. As a consequence only the billing authority share of Council Tax debtors is disclosed within the Balance Sheet. This means that for 2009/10 the Council has recorded the accrued income for the year. The previous amounts recorded would represent the amount adjusted for any surplus or deficit on the Collection Fund. This change has impacted upon all the major Financial Statements and Prior Period Adjustments have been actioned to reflect the changed requirements.

4.7 A number of other changes have been made.

4.7.1 Removal of Disclosure Notes

- Section 137 expenditure
- Expenditure on publicity
- Building Control Account
- Income under Local Authority Goods and Services Act 1970

4.7.2 Officer remuneration

The revised disclosure note is now to include the number of officers whose remuneration was £50,000 and above in rising bands of £5,000 instead of the previous £10,000 bands. A separate more detailed disclosure is also now required of senior officers.

4.7.3 True and Fair

The Accounts and Audit (Amendment) (England) Regulations 2009 change the certification of the Statement of Accounts to “true and fair” for 2009/10 from presents fairly in 2008/09.

5. ANNUAL GOVERNANCE REPORT

The Annual Governance Report considered by this Committee on 23 September 2009 contained three recommendations that are relevant to the production of the 2009/10 Statement of Accounts.

Recommendation	Work undertaken 2009/10
Strengthen quality assurance to ensure errors on the accounts are minimised.	Assurance undertaken prior to release of the Statement included reviews of the draft versions of the documents, use of a Consistency Tool and analytical review. Procedures updated and accompanied by / supported with training.
Improve asset records and review systems used for land and buildings, vehicles, plant and equipment, infrastructure and community assets.	Purchase and implementation of a computerised Asset Register accounting system. Review of information held on vehicles, plant and equipment. For infrastructure, activity has focused around the recent guidance on the valuation of these assets. A procurement exercise is being undertaken for an integrated highways asset management system. The museum service has undertaken further work on documenting the collection, principally of oil painting. This is part of the Museum Accreditation process with further work planned for 2010/11 and future years.

Members should comply with the process for making related party disclosure declaration.	The process was enhanced by contacts with party offices and through the Director of Law, HR & Asset Management. Despite repeated requests 1 return remains outstanding.
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6. MEMBERS ROLE IN SCRUTINISING THE STATEMENT OF ACCOUNTS

6.1 The role of Audit and Risk Management Committee is to ensure that the quality control procedures are in place to ensure that the Statement of Accounts submitted for audit is of the appropriate standard. Given the complex technical nature of the Accounts the Committee is not expected to be able to review the Accounts in detail. However it should consider the following:-

- The key accounting policies.
- Assurances about the financial systems that have provided the figures for the Accounts.
- The quality control arrangements over the preparation of the Accounts by the Director of Finance and his staff.
- Key judgements in preparing the Accounts.
- Any issues raised by the Audit Commission that have to be resolved.

6.2 The Committee in scrutinising the Accounts may wish to ask the following:-

- Are the accounting policies that are in place compliant with the relevant requirements?
- Have the Accounts been subject to sufficient review by the Director of Finance and relevant staff?
- Have the correct processes been undertaken in preparing the Accounts and are these robust?
- When new accounting issues have arisen has appropriate advice on accounting treatment been obtained?
- Are there suitable processes in place to ensure the accuracy of the financial records that the Council has kept during 2009/10?

7. FINANCIAL IMPLICATIONS

7.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2010 in accordance with statutory guidance. Certain aspects may be directly related to the various reports presented to Cabinet on 24 June 2010 including the Revenue Out-turn, Capital Out-turn and Capital Determinations, Collection Summary and the Treasury Management and Insurance Fund Annual Reports.

8. STAFFING IMPLICATIONS

8.1. There are no specific implications arising out of this report.

9. EQUAL OPPORTUNITIES IMPLICATIONS

9.1. There are none arising directly from this report.

10. **HUMAN RIGHTS IMPLICATIONS**

10.1. There are none arising directly from this report.

11. **COMMUNITY SAFETY IMPLICATIONS**

11.1. There are no specific implications arising from this report.

12. **LOCAL MEMBER SUPPORT IMPLICATIONS**

12.1. There are no specific implications for any Member or Ward.

13. **PLANNING IMPLICATIONS.**

13.1. There are none arising directly from this report.

14. **LOCAL AGENDA 21 STATEMENT**

14.1. There are none arising directly from this report.

15. **BACKGROUND PAPERS**

15.1. Code of Practice on Local Authority Accounting in the UK – SORP 2009.

15.2. Capital Finance and Accounting Regulations 2008.

15.3. Accounts and Audit Regulations 2003.

16. **RECOMMENDATION**

16.1. That the Statement of Accounts 2009/10 be approved and signed by the Chair of the Audit and Risk Management Committee.

IAN COLEMAN
DIRECTOR OF FINANCE



Statement of Accounts

2009-2010

These statements demonstrate the financial performance of Wirral Council for the financial year ending 31 March 2010.

These draft accounts are subject to external audit scrutiny.

June 2010

CONTENTS

Section	Page
1. Explanatory Foreword	4
2. Statement of Main Principles, Accounting Policies and Estimation Techniques	11
3. Statement of Responsibilities for the Statement of Accounts	26
4. Annual Governance Statement	27
5. Signature of Approval	37
6. Independent Auditor's Report to the Members of Wirral Council	38
7. Main Financial Statements:	
Income and Expenditure Account	40
Statement of Movement on the General Fund Balance	41
Statement of Total Recognised Gains and Losses	43
Balance Sheet	44
Cash Flow Statement	46
8. Notes to the Main Financial Statements	47
9. Additional Financial Statements: Collection Fund	97
10. Merseyside Pension Fund Accounts	103
11. Glossary of Financial Terms	119
12. Further Information and Feedback	127

EXPLANATORY FOREWORD

1. INTRODUCTION

- 1.1 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.

2. ABOUT THE STATEMENT OF ACCOUNTS

- 2.1 The Statement of Accounts demonstrates the financial performance of the Council for the year ended 31 March 2010 and shows the financial position at the end of that period. The Statement of Accounts has been prepared and presented in accordance with prescribed guidance, the Code of Practice on Local Authority Accounting and Reporting Standards.

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

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

- Statement of Main Principles, Accounting Policies and Estimation Techniques
 - the basis upon which the figures are presented in the accounts.
- Annual Governance Statement
 - how the Council has ensured the effectiveness of systems for ensuring it operates legally and that public money is properly used and accounted for.
- Statement of Responsibilities for the Statement of Accounts
 - the responsibilities of the Council and of the Director of Finance.
- Auditor's Report
 - the independent auditor's report on the Statement.
- Main Financial Statements comprise of key statements.
 - The Income and Expenditure Account is the main account showing how money is spent and how it is financed.
 - Statement of Movement on the General Fund Balance and Statement of Total Recognised Gains and Losses show how the level of Council balances has changed.
 - Balance Sheet shows the financial standing of the Council at 31 March 2010 detailing all assets and liabilities.
 - Cash Flow Statement shows the inflows and outflows of cash arising from transactions with other parties.
- Notes to the statements provide further detail and explanation of the items contained within the Main Financial Statements.
- The Collection Fund
 - the Council Tax and Non-Domestic Rates collected and paid to the precepting authorities and the national Non-Domestic Rate pool.
- Pension Fund
 - the financial position of the Merseyside Pension Fund.
- Glossary of Financial Terms
 - the technical terms used within the Statement.

- 2.4 The main changes in the presentation of the accounts for 2009-10 relate to those arising from the Code of Practice 2009 and the move towards the implementation of International Financial Reporting Standards. They are essentially accounting changes that do not impact upon the level of spend and the Council Tax:-
- arrangements for service concessions including Private Finance Initiative.
 - accounting for local taxes (National Non-Domestic Rates and Council Tax).
 - amendment to the disclosure of long-term liabilities.
 - disclosure of officers' remuneration including that of senior officers.

3. REVIEW OF THE FINANCIAL YEAR

3.1 REVENUE EXPENDITURE AND INCOME

3.1.1 This represents the spending on services provided to the people of Wirral and met from Government Grants and the local taxpayer through the Council Tax. For 2009-10 the increase in Council Tax was 4.46%. The Council spent over £300 million on its net cost of services in 2009-10 which was met from a combination of Government Grants, Non-Domestic Rates and Council Tax.

3.1.2 Further details can be found within this Statement which shows that at the end of the year there was £13.7 million in General Fund balances. This is £3.0 million higher than the £10.7 million that was anticipated. The increase is due to the following:-

- Insurance Fund £2.5 million due to continued improvements in the management of claims liability.
- Underspensing on the provision of Council services against planned budget £0.3 million.
- The further recovery of reclaimed VAT from previous years £0.2 million. The total recovery was £3.4 million.

A proportion of these balances are anticipated to be used in 2010-11 and the planned level of £6.5 million represents a prudent level of General Fund balance consistent with sound financial management.

3.1.3 The Council regularly monitors its financial position and, in particular, those areas most prone to variation. Pressures within Adult Social Services and Community Care in particular resulted in increased spending within this area and work continues to meet the demands and expectations whilst remaining within the available funding. The decision to retain, and subsequently invest in, library services added to the financial demands whilst the adverse weather conditions resulted in higher highway maintenance costs. The benefits from pro-active treasury management continued despite the uncertain economic position. The maximisation of reclaiming grant in respect of Housing and Council Tax benefit through changes in the management and processing of applications also resulted in increased grant receipts to the Council. The year also saw several 'one-off' sources of funding support the financial position including the recovery of amounts previously paid to the Government in respect of VAT.

3.2 CAPITAL EXPENDITURE AND INCOME

- 3.2.1 During 2009-10 £64 million was spent on capital projects including the acquisition and improvement of assets and infrastructure. In respect of education services the £30 million spend included £15 million on the new Woodchurch High School. In terms of primary schools Our lady & St. Edward's has been completed, Park Primary School commenced on site and the work to rebuild Pensby Primary School, co-located with Stanley School, is underway. A large number of schools have benefitted from lesser modernisation and improvement works. Regeneration spend was in excess of £19 million with The New Heartlands Housing Market Renewal Initiative continuing to address targeted areas in Birkenhead and Wallasey and the redevelopment of New Brighton continued. Over £11 million was spent on improvements to highways, bridges and road safety projects. These included the new Thurstaston roundabout, the completion of the coastal protection works at the Marine Lake and the ongoing Bidston Viaduct scheme.
- 3.2.2 The main source of funding came from grants allocated by Central Government for specific schemes or projects such as the investment in schools or the New Heartlands programme. In 2009-10 grants provided £48 million to fund the total spend of £64 million. The balance was met from a combination of borrowing and the use of capital receipts generated from the sale of surplus assets.

3.3 BALANCE SHEET

3.3.1 Balances and Reserves

The Council seeks to maintain a level of balance sufficient to meet any unforeseen events. In agreeing the 2009-10 budget it was anticipated that the balance would be £6 million by 31 March 2010 rising to £6.5 million the following year. The level is based upon an assessment of the risks involved in managing the overall Council budget and recent experiences in terms of spending compared to the budgets allocated.

The General Fund balance will vary as a result of the financial decisions of the Council. When setting the annual budget any sums in excess of the prudent level can be, and are, used to help provide for services. The 2010-11 budget included the use of £4.2 million of the projected balance at 31 March 2010.

Whilst the General Fund balance is available to meet non-specific pressures, provisions and reserves are amounts set aside to meet specific future liabilities. They are regularly reviewed to assess whether they are adequate for the purpose intended and whether the sums involved are still required. At 31 March 2010 £94 million was held in reserves with the major items being in respect of the Insurance Fund, housing benefit, Working Neighbourhoods Fund and school balances. The latter are only available for use by the schools. A further £9 million was held in provisions with the majority relating to the Insurance Fund and housing benefit.

The Balance Sheet at 31 March 2010 shows a net liability position, with items owing being greater than assets. This is a change from previous years and is due to an increase in pension liabilities. The net worth of the Balance Sheet excluding this is a net asset position of £334 million of which further details are covered in the section on Retirement Benefits.

3.3.2 Assets and Investments

As part of the rolling programme of valuations a further series of assets were revalued during the year. In total the Council had operational assets valued at £704 million at 31 March 2010 which included land and buildings as well as infrastructure assets such as roads.

Total investments at 31 March 2010 were £106 million with the majority of investments being on a short term basis with financial institutions. Throughout 2009-10, as in the previous year, the over-riding approach was one of security and liquidity with the diminution in investment return being the acceptable risk / reward consequence.

In October 2008 all of Iceland's major banks collapsed and for the UK subsidiaries the UK Financial Services Authority placed them into administration with their affairs being managed by appointed administrators. The Council had a £2 million investment, that was shortly to mature with Heritable Bank (a UK subsidiary of Landisbanki), and remains confident that this investment will be repaid. However, at this stage there remains the possibility that not all of this sum will be repaid.

3.3.3 Outstanding Debts and Borrowing

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

In managing debt the aims are to reduce the overall exposure to interest rate movements, to lower long-term interest charges paid and to smooth the maturity profile without compromising the overall longer-term stability. Debt rescheduling has become more challenging and places greater emphasis on the timing and type of new borrowing. No debt rescheduling took place in 2009-10.

At 31 March 2010 the long term debt totalled £280 million. Of this, £173 million is with financial institutions and £107 million with the PWLB with this being spread over a range of maturity dates. This also includes the debt of the former Merseyside County Council which Wirral manages on behalf of the other Local Authorities and agencies.

3.3.4 Retirement Benefits

All authorities fully adopt the accounting policies contained with Financial Reporting Standard 17 “Retirement Benefits”. The principle behind FRS17 is that an organisation should account for retirement benefits when it is committed to pay them, even if the actual payment will be many years in the future. The actuaries engaged by the Council have estimated the underlying long term commitment to pay retirement benefits to be £424 million at 31 March 2010.

The recognition of this liability in the accounts has a substantial effect on the net worth of the Council and is subject to variation each year as it is dependent upon both the national and the global economic situation. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees as assessed by the actuary.

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

4. RECENT AND FUTURE DEVELOPMENTS

4.1 BUDGET 2010-11

4.1.1 The Council budget for 2010-11 included a Council Tax rise of 1.67% from 1 April 2010. This was well below the January 2010 rate of inflation of 3.7% and, as a result, the average Band D Council Tax rose to £1,464. Wirral, which only a few years ago had the 4th highest Council Tax in the Country, now has the 186th highest Council Tax and the 4th highest on Merseyside.

4.1.2 In setting the budget the Council benefited from the final year of the three year indicative Government grant settlement. However, in order to avoid unnecessary high levels of Council Tax and the ability to invest in services remains possible through the continuing identification, and implementation, of a range of actions to deliver efficiencies and greater value for money. The efficiencies are designed to ensure that services to the people of Wirral are delivered in the most effective way.

4.1.3 The budget is based on taking forward the Vision for Wirral and has seen resources invested into the priority areas. These included resources into the broadband network to enable Wirral businesses to sustain, and create new, employment opportunities; help for the elderly and vulnerable through assistive technology in working with our health partners; tackling poverty with the home insulation initiative, and in working with the private sector and actions to support the environment. The latter included the Council’s first carbon budget presented at the same time as the financial budget.

4.2 FORWARD PLANS

- 4.2.1 The Vision for Wirral seeks to achieve a more prosperous and equal Wirral which is founded on a strong, vibrant local economy with high levels of employment. The Council Medium Term Financial Strategy and Annual Budget underpin the Corporate Plan in seeking to achieve Wirral's Vision.
- 4.2.2 The Council faces increasing pressures from delivering services where demand and expectations are rising against the limited funding that is available. This is expanded upon in the Medium Term Financial Strategy and also the regularly updated reports on the Projected Budgets for future years. These include actions proposed to address any gap between the projected spend and likely resources to ensure that the budget and Council Tax continue to be set at a realistic and affordable level.
- 4.2.3 Value for money remains a key area for Central and Local Government. The previous Government set Local Authorities a challenging target to deliver efficiencies that meet agreed criteria and realise actual cash savings as well as improvements in service delivery. The new Coalition Government has announced that it will reduce the level of Government support with the first actions being taken in June 2010 and resulted in a reduction in revenue funding of £5.5 million and £3.9 million capital funding.
- 4.2.4 The Council continues to take positive actions to help meet the climate change and sustainability agenda. These include the further development of the Environmental Streetscene contract with enhancements around recycling, waste collection and disposal. Procurement initiatives have led to environmental and sustainability considerations being factored into any major building schemes. The Council successfully reduced energy consumption in recent years with plans to reduce this further and is supporting the wider community through home insulation initiatives. IT developments continue the move towards using technological rather than paper-based systems and processes.

4.3 ECONOMIC POSITION

- 4.3.1 The global economic situation has impacted, and will continue to impact, upon public services, including the Council, in a variety of ways. The pressures on the Government to address the level of the public sector deficit have been widely publicised and the Coalition Government is to make its first Budget in late June 2010 with a Spending Review planned for Autumn 2010. These promise to place further pressure upon the public sector and the financial position of the Council.

- 4.3.2 Based upon the information presently available the Council's Projected Budget for 2011-14 shows a gap between the planned spend and likely resources of around £80 million. This equates to a 20% reduction in the net spend of the Council and will lead to further difficult decisions around the provision of services and the priorities of the Council over the coming years. This is against the earlier impact of the recession which affected the achievement of the Council's objectives in a number of ways. With reductions in work opportunities there was an increase in demand for public sector support services. These covered direct support in the case of care services plus financial support through Housing and Council Tax benefit.
- 4.3.3 As with 2008-09 the impact upon the accounts was around income and, in recognition of the ability of individuals to meet their financial obligations, a further increase was made in the sums set aside for potential bad debts. In terms of asset, the key consideration in determining their value has been the fact that the Council will, generally, continue to occupy the assets beyond the recession.
- 4.3.4 The financial year 2009-10 saw measures implemented to help support local businesses and the citizens of Wirral, as well as adjusting income budgets to reflect the changing circumstances, which were reflected in the Council budget. The level of balances, including provisions and reserves, is at a level to help mitigate any impact upon the financial position.

5. CONCLUSIONS

- 5.1 The Statement of Accounts provides information about Council expenditure and income for the year and the overall financial position at the end of the financial year. The Statement is a key element in reporting how Council finances have been managed whereas the Council Tax Explained booklet issued with the Council Tax demands at the beginning of each year sets out the plans for the year.
- 5.2 Until it was recently ended the Comprehensive Area Assessment process measured the effectiveness of services being delivered and value for money being achieved. The work undertaken by the Audit Commission included an element for Use of Resources based upon financial reporting, financial management, financial standing, internal control and value for money. Although no longer to be assessed they remain key to the effective management of resources and particularly in times of reduced resources.
- 5.3 The Council continues to strive to promote and enhance all aspects of financial management and successfully managed its finances during 2009-10. As reported last year, and further detailed above, the Council will face a number of challenges in future years. However, it retains a sound financial base, including the General Fund balance plus the specific provisions and reserves, from which it can respond.

IAN COLEMAN

DIRECTOR OF FINANCE

STATEMENT OF 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 2009 (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 provided a true and fair view of 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 providing a true and fair view of 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 has introduced a number of revised or additional requirements for the 2009-10 financial statements. The main changes introduced with SORP 2009 are:

- the accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on the UK Accounting Standard FRS 5 but on International Reporting Standards.
- accounting for local taxes (National Non-Domestic Rates and Council Tax) was not covered in detail in previous SORPs and requirements are now specified for the first time.
- an amendment has been made to the disclosure of long-term liabilities.
- five disclosure notes have been removed as requirements of the SORP:
 - Section 137 expenditure
 - Expenditure on publicity
 - Building Control Account
 - Business Improvement Districts
 - Income under the Local Authority Goods and Services Act 1970
- the requirement to disclose officers' remuneration was amended in February 2010. It requires the disclosure note to include the number of officers whose remuneration was £50,000 and above in rising bands of £5,000 instead of the previous £10,000 bands.
- A separate more detailed disclosure is now required of senior officers whose salary is either more than £150,000 or is above £50,000 and is
 - the designated head of paid service, a statutory chief officer or a non-statutory chief officer.
 - the head of staff which does not have a designated head of paid service; or
 - any person having responsibility for the management of the Authority.

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 for the period within which the employees worked.

Interest

Interest payable on external borrowing and interest receivable is accounted for in the year 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. AREA BASED GRANT (ABG)

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

3. 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 applicable statutory requirements) and a useable part (the balance).

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

4. 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.

5. DEBT REDEMPTION (THE MINIMUM REVENUE PROVISION)

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

The Council approved the following MRP policy for the 2009-10 financial year:

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

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

6. 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 concept 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 that did not exist at the Balance Sheet date, should be disclosed with an estimate of its financial effects.

7. EXCEPTIONAL/ 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.

8. FINANCIAL INSTRUMENTS

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

The Council has adopted FRS26 “Financial Instruments: Recognition and Measurement”, FRS25 “Financial Instruments: Presentation and Disclosures” and FRS29 “Financial Instruments Disclosures”.

Initial Recognition

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

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

Initial Measurement

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

Financial Liabilities

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

Financial Assets

Financial Assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at amortised costs. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable and

interest credited to the Income and Expenditure Accounts is the amount receivable for the year of the loan agreement. Where assets are identified as impaired because of a likelihood arising from a past event that payment due under the contract will not be made, the asset is written down and a charge is made to the Income and Expenditure Account.

Available for Sale Assets

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

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

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

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where an impairment loss has been incurred. These are debited to the Income and Expenditure Account along with any net gains/losses for the asset accumulated in the Reserve. Where fair value cannot be measured reliably the instrument is carried at cost (less any impairment).

Instruments entered into before 1 April 2006

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

Disclosure of the nature and risk arising from Financial Instruments

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

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

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

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.

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

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

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

11. GROUP ACCOUNTS

The Council has adopted FRS2 "Accounting for Subsidiary Undertakings" and the CIPFA Accounting Code of Practice. This requires 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

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

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

13. JOINT ARRANGEMENTS THAT ARE NOT ENTITIES (JANE)

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

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

14. LEASING

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

15. LOCAL TAXES

Council Tax

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

National Non-Domestic Rates

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

16. NON-DISTRIBUTED COSTS

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

17. OVERHEADS

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

18. PRIVATE FINANCE INITIATIVE (PFI)

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

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

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

As this represents a change of accounting policy, a prior period adjustment has been made to bring on to the Balance Sheet at 1 April 2009, the carrying value of PFI assets together with the related liability and to reverse out the accounting entries made under the old policy.

19. PROVISIONS

The Council sets aside provisions for specific future expenses that are likely or certain to be incurred but the amount and timing of which cannot yet be determined accurately. They are only made where there is a present obligation based on a past event. It is probable that a transfer of economic benefit will occur, no reliable estimate can be made.

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

The principal provisions relate to bad debts and insurance. The former have been deducted from debtors in the Balance Sheet, rather than being shown in provisions. As part of compliance with FRS26, "Accounting for and disclosing of financial instruments", amounts shown as due from debtors are individually or collectively (for debts that are not significant) reviewed for impairment. Any known uncollectable debts will be written off to the appropriate service account. The insurance provision relates to outstanding liability claims. The figure is the sum indicated by actuaries as being required to fund claims for years up to and including 2009-10.

20. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

21. REPURCHASE OF BORROWING

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

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

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

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

22. RESERVES

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves. Reserves include earmarked reserves set aside for specific policy purposes, and balances that represent resources set aside for purposes such as general contingencies and cash flow management. Reserves are created by appropriating amounts through the Statement of Movement on the 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 useable 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.

23. 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 (DfE) 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 the Teachers' Pensions Agency in the year. The pension cost charged to the accounts is the contribution rate set on the basis of a notional fund.

The Local Government Pension Scheme administered by the Merseyside Pension Fund for all other employees. From 1 October 1987 the Council has administered this fund on behalf of all scheduled and admitted bodies. The Council operates a defined benefit scheme and costs are charged to the Council's accounts on the basis of a three-yearly actuarial valuation. In 2009-10 the contribution represented 17.3% of pensionable pay. The latest valuation was at 31 March 2007 and determined the contributions for the years 2008-11.

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 FRS17 is that an organisation should account for retirement benefits when it is committed to give them, even if the actual payment will be many years in the future. This reflects the Council's commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the Pension Fund.

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

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

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

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

- (i) current service cost - the increase in liabilities as a result of years of service earned this year, allocated to the revenue accounts of services for which the employees worked.
- (ii) past service costs - the increase in liabilities arising from current year decisions which effect relates to years of service earned in earlier years, debited to Net Cost of Services as part of Non Distributed Costs.
- (iii) interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to Net Operating Expenditure.

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

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

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

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

24. 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 SSAP9.

25. TANGIBLE FIXED ASSETS

Recognition

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

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

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 2009.

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 Law, HR and Asset Management, using the valuation techniques referred to above, undertook the valuation exercise. A further valuation of all assets has been undertaken on the basis of a rolling programme by March 2010.

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date when it came into existence. Gains arising before that date have been consolidated in the Capital Adjustment Account.

Impairment

The value of each category of assets is reviewed at the end of each reporting period to assess whether there is any evidence of impairment loss. This would arise, for example, from a significant decline in the asset's market value, evidence of obsolescence or physical damage, a change in the regulatory environment within which the Authority operates or a commitment to undertake a significant re-organisation. Impairment is charged to the Income and Expenditure Account when the asset suffers impairment due to a clear consumption of an asset and there has been no previously accumulated revaluation gain against which the impairment can be offset in the Revaluation Reserve. Impairment is also charged where there has been expenditure that has not resulted in any upward revaluations.

Depreciation

Depreciation is charged on all assets with a finite useful life apart from non-depreciable land and non-operational investment properties. It is calculated on the amount at which the asset is included in the Balance Sheet less an estimate for its residual value. Revaluation gains are also depreciated with an amount equal to the difference between current values depreciated charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

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

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

Amounts in excess of £10,000 are classified as capital receipts. Such receipts from disposals are accounted for on an accruals basis and credited to the Useable 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 is appropriated from the Useable Capital Receipts Reserve and credited to Statement of Movement on the General Fund Balance.

Charges to Revenue for Fixed Assets

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

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

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

26. VALUE ADDED TAX (VAT)

Income and Expenditure excludes any amounts related to VAT, as VAT collected is payable to HM Revenue and Customs and VAT paid is recoverable from them. VAT is included in the Income and Expenditure Accounts, whether of a capital or revenue nature, only if it is irrecoverable.

27. 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 SORP).

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

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

The Director of Finance has also:-

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

I certify that the Statement of Accounts provides a true and fair view of the financial position of Wirral Council at 31 March 2010 and its Income and Expenditure for the year ended 31 March 2010.

Ian Coleman

Director of Finance

Date: 25 June 2010

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

- 1.1 Wirral Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Wirral Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Wirral Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Wirral Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the code is on our website at www.wirral.gov.uk. This statement explains how Wirral Council has complied with the code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of not fully achieving policies, aims and objectives and therefore provides a reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wirral Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place for a number of years at Wirral Council and, in particular, for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

3.1 The CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' lays down principles of governance best practice. Key elements of the systems and processes which comprise the Council's governance arrangements are described in the following paragraphs. Our assessment is based upon the CIPFA/SOLACE guidance.

3.2 Developing and Communicating our Purpose and Vision

- The Council's purpose and vision is developed through corporate and business planning, and is integral to wider community planning for Wirral through the Local Strategic Partnership.
- The Council has reviewed and refreshed its Corporate Plan for 2010-13. There are five key corporate objectives; these drive the departmental plans which include clear outcomes and targets for the Council's priorities in accordance with the revised Corporate Plan framework.
- The Council reports achievement of its objectives in its Annual Report.

3.3 Ensuring Users receive high quality service

- The Council has an objective performance management framework. The system is driven by the Corporate Plan, which focuses attention on corporate priorities. This is cascaded through departmental service plans, individual employee key issue exchanges and action plans. It is clearly laid out in the annual service and financial planning and performance management cycle.
- All national indicators, local indicators, projects and activities contained within departmental plans are reported to the relevant scrutiny committee. The performance management areas of the intranet and internet are currently being enhanced and are expected to go live in April 2010.
- The annual review of Wirral's Local Strategic Partnership / Local Area Agreement by Government Office for the North West (in January 2010) found that Wirral's LSP arrangements were felt to be operating more effectively.
- The Council has improved the quality of data used to support the performance management framework. Our data quality policy has been refreshed and data quality training has now been provided across the Council.
- The Council's Customer Access Strategy provides the framework for the development of all Wirral Council's access channels. The overall aim is to make information and high quality services more accessible to our customers in the most efficient and effective way.

3.4 Measuring Performance and Value for Money

- The Council has in place a three-year Financial Strategy, updated annually to support the medium term aims of the Corporate Plan. This ensures the economical, efficient and effective use of resources, and secures continuous improvement in the way in which its functions are exercised.
- A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated.
- The Council undertakes Equality Impact Assessments on strategies, policies, services, projects and procedures in order to measure progress towards promoting diversity and equality of opportunity. This process ensures that the Council optimises the impact of services for stakeholders.
- The Local Strategic Partnership has undertaken a sustainability appraisal of its Local Area Agreement looking at environmental, social and economic impacts and recommendations for mitigating these. This work is now being taken forward by Wirral's Climate Change Group.

3.5 Roles and Responsibilities

- Wirral Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios.
- The roles of the Executive members are clearly defined in the Constitution, including responsibility for leadership and activities of the Authority.
- The roles and responsibilities of all members of the Authority, along with remuneration details, are clearly defined in the Constitution.
- The roles and responsibilities of all senior officers, along with remuneration details, are documented in contracts of employment and job specifications.

3.6 Member/Officer Relations

- A full scheme of delegation is included in the Constitution.
- The Constitution includes the delegation of functions to individual Cabinet members.
- The responsibility of the Chief Executive for all aspects of operational management is clearly stated in the Constitution.
- Protocol on Member and Officer relations is clearly stated within the Codes and Protocols of the Constitution.

3.7 Partnership Arrangements

- A Partnership Framework and Toolkit has been developed and approved.
- Draft departmental service plans for 2010-11 have been produced, identifying partnership working, and using a corporate template to ensure consistency of approach.
- The Council's single equality scheme, a key activity within the Corporate Plan, was developed in full consultation with Wirral's communities and details the actions that will be taken across the whole Council to eliminate any discriminatory practices and to promote equality and recognise diversity within employment and service delivery, including in partnership working.

- The Council has adopted a local Code of Corporate Governance detailing how the Authority complies with the principles of good governance.

3.8 Standards of Conduct

- The Standards Committee has a number of roles and functions, which include promoting and maintaining high standards of conduct by Councillors and employees.
- There is a corporate conflict of interest form for completion by Members and Officers.
- Financial Regulations and Contract Procedure Rules are contained within the Council Constitution.

3.9 Demonstrating the Values of Good Governance

- The roles and responsibilities of the various stakeholders are clearly stated within the Constitution.
- The Chair of the Standards Committee is an independent member of the public. The number of independent members is now 4 which exceeds the statutory requirement for 25 % of the Committee to be independent.
- The Council has a call-in procedure which allow members to 'call-in' decisions made by committees of the Council for further consideration by the relevant review committee.

3.10 Transparency of the Decision Making Process

- There are 6 Overview and Scrutiny Committees. The chairs are shared amongst the 3 political groups and the statutory functions of each are set out in the Constitution.
- The public has access to all meeting minutes with the exception of exempt items.
- Codes of Conduct for Members and employees are in place.
- An Audit and Risk Management Committee provides independent assurance on risk management and control and the effectiveness of the arrangements the Council has for these matters.

3.11 Quality of Reporting

- The Council has produced a 'guidance to report authors' document detailing the requirements for the production of all Committee/Cabinet reports.

3.12 Risk Management

- The Council has robust systems for identifying and evaluating all significant risks developed and maintained with the participation of those involved in planning and delivering services. The Council adopted an updated Risk Management Strategy in 2009. This explains the methodology for the management of risk throughout the Authority.

- A Corporate Risk Register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks. The Authority has a Risk Management Officer and the approach to embedding risk management is in accordance with best practice.
- A Confidential Reporting (Whistleblowing) Policy is in place.

3.13 Use of legal powers to benefit citizens and communities

- The Scheme of Delegation of Functions to Officers, included within the Council Constitution, identifies the legal powers of officers.
- The Director of Law, HR & Asset Management is authorised to institute, defend or participate in any legal proceedings in any case where such action is necessary to give effect to decisions of the Council, or in any case where he/she considers that such action is necessary, to protect the Council's interests.

3.14 Development of members and officers

- All Members receive an induction and attend a specifically organised event to introduce them to the Council and its departments.
- All employees to the Council are invited to a corporate induction, departmental induction and an individual induction.
- There is a Members' Development Strategy which is utilised as an assessment to identify generic and specific training needs.

3.15 Developing the capacity of people with governance responsibilities

- The Audit and Risk Management Committee undertakes an annual self assessment exercise, utilising CIPFA's checklist, in order to assess their role and effectiveness. In addition to this, a report on the work and performance of the Audit and Risk Management Committee is submitted to Cabinet at the end of each municipal year.
- Members of the Audit and Risk Management Committee undertake specific training in relation to the competencies required of such a role.
- A member training steering group is in place. Generic and specific training is provided to Members to ensure they are equipped to discharge their duties effectively.
- The Key Issues Exchange (KIE) process, which is provided to all Council employees, helps to highlight the requirement to develop skills and improve performance.

3.16 Encouraging involvement in the membership of the authority

- There is an older person's parliament and young person's parliament which seek to obtain views from these sections of the community.
- The Council engages with communities through eleven Area Forums; providing an opportunity to shape services in their neighbourhood.

3.17 Stakeholder Engagement and Scrutiny

- A Comprehensive Engagement Strategy (CES), approved by the Local Strategic Partnership (LSP), is in place to help provide a framework approach within which Wirral's LSP works to create a new environment for partnership development and working.
- A programme of transfer of a number of Council-owned Community Centres to community ownership is underway. A total of 20 such assets have been identified, of which a number of transfers of ownership to community groups has already taken place.

3.18 Public dialogue and accountability

- The Council has established an Equality Watch membership scheme which sets out a clear commitment to ensuring that no person accessing Council services experiences discrimination of any kind.
- The authority's commitment to openness can be demonstrated in, for example:
 - Constitution of the Council, publicising the Council's approach to decision-making and standards of conduct.
 - Approach to the Freedom of Information Act.
 - Customer Care Guidelines / Customer Services Strategy.
 - Availability of Committee minutes to the public except in those areas where it is inappropriate.
 - Area Forums, covering the whole of the Borough, which give local people a voice.
- A Sustainable Community Strategy and framework for reviewing partnership delivery of Wirral's long term vision has been implemented.

3.19 Responsibility to staff

- The Council regularly consults with Unions on behalf of its employees with regard to significant issues.
- The Chief Executive meets with staff on a regular basis via his 'roadshows'.
- The Council has achieved Level 3 of the Equality Standard, 'Achieving' status and under the Equality Framework.

4. Review of Effectiveness

4.1 Introduction

Wirral Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and by comments made by the external auditors and other review agencies and inspectorates. Key controls in the governance review process are identified in the following paragraphs.

4.2 Corporate Review

The Council's Corporate Improvement Group (CIG) has managed the development of the Annual Governance Statement, in consultation with the Council's Chief Internal Auditor. CIG is chaired by the Deputy Chief Executive and is comprised of members of each Department's management team. A system which includes Directors' Assurance Statements has been introduced to review governance systems and procedures; areas of non-compliance are considered for inclusion in the Annual Governance Statement.

4.3 Statutory Officer Responsibilities

4.3.1 The Council Constitution, which is annually reviewed by the Monitoring Officer, sets out the responsibilities of both Members and senior managers. Roles and responsibilities have been identified and allocated for the following three statutory posts:

Head of Paid Service:	Chief Executive
Chief Financial Officer:	Director of Finance
Monitoring Officer:	Director of Law, HR and Asset Management

4.3.2 The Council has designated the Director of Law, HR and Asset Management as the Monitoring Officer. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure that its aims and principles operate effectively and an annual report is submitted to Cabinet.

4.3.3 The Council has designated the Director of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The financial management of the Authority is conducted in accordance with the Financial Procedure Rules set out in the Constitution.

4.3.4 The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/SOLACE Delivering Good Governance Framework, has developed a local Code of Corporate Governance and so is working towards the National Good Governance Standard.

4.4 Audit and Risk Management Committee

The Council has an Audit and Risk Management Committee which oversees various financial matters, the Terms of Reference for which comply with latest CIPFA guidelines.

4.5 Standards Committee

The Council has a Standards Committee which deals with matters relating to the conduct of Councillors, employees, complaints and probity issues, the Terms of Reference for which comply with latest guidelines from the Standards Board for England.

4.6 Internal Control

The review of the effectiveness of the system of internal control reflects best practice guidance identified by the CIPFA Finance Advisory Network and is informed by:

- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny Committee reports.
- the work undertaken by Wirral Internal Audit during the year.
- the work undertaken by the external auditor reported in their Annual Audit and Inspection Letter.
- Other work undertaken by independent inspection bodies.

4.7 Internal Audit

4.7.1 The arrangements for the provision of internal audit are contained within the Financial Regulations included within the Constitution. The Director of Finance is responsible for ensuring that there is an adequate and effective system of internal audit of the accounting and other systems of internal control as required by the Accounts and Audit Regulations 2006. The internal audit provision is managed by the Chief Internal Auditor and, as verified by the Audit Commission, operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.

4.7.2 From the work undertaken in 2009-10 the Chief Internal Auditor was able to provide 'reasonable assurance' on the key areas of risk management, corporate governance and financial control.

4.8 External Audit

Wirral Internal Audit is subject to regular inspection by the external auditors. In its most recent review the Audit Commission's overall conclusion was that Internal Audit generally met the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Audit Commission through its Inspectorate functions also reviews compliance with policies, procedures, laws and regulations within their remit.

5. Significant Governance Issues

5.1 Summary

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

The following improvement opportunities have been identified as part of the review of governance.

5.2 Opportunities for Improvement

5.2.1 Governance

Wirral Council's Code of Corporate Governance is to be reviewed and updated to ensure it includes all relevant areas from the CIPFA/SOLACE guidance. In addition to this, a means of promoting and communicating the code is to be introduced.

The Constitution of the Council is also to be reviewed so as to ensure it reflects accurately the current governance arrangements.

5.2.2 Single Status

The Council has partially completed the Single Status Review and it is anticipated to be completed during the forthcoming financial year.

5.2.3 Change Programme

The Council's ongoing commitment to introduce efficiencies and service improvements is evidenced through the introduction of the Strategic Change Programme, established to achieve clearly defined targets across six key work streams that include strategic assets, customer access, common administrative processes, ICT, Adult Social Services and Schools for the Future. The programme is regarded as a key corporate driver for delivering improvements and cost reductions. In January 2010, Cabinet identified a further expansion of this initiative in order to maximise the delivery of efficiencies.

5.2.4 Partnership Working

The Council continues to be actively involved in developing the way it works with partners and organises itself to deliver services. A Partnership Framework and Toolkit has been compiled and approved, whilst the Partnership Register is subject to review.

5.2.5 Equality and Diversity

Having recently achieved Level 3 of the previous Equality Standard and migrated to the 'Achieving' status of the new Equality Framework, work is now progressing in order to apply to be assessed for 'Excellent' status.

6. Conclusion

We propose over the coming year to take any necessary steps to ensure that all of the above matters are addressed as appropriate to enhance our governance arrangements further. Many improvement actions represent work already in progress. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: _____ Date: _____

Chief Executive

Signed: _____ Date: _____

Leader of the Council

SIGNATURE OF APPROVAL

In line with the Accounts and Audit Regulations 2003 I confirm that these accounts were approved by the Audit and Risk Management Committee at the meeting held on 30 June 2010.

Signed on behalf of Wirral Council

Councillor Simon Mountney

Chair of Audit and Risk Management Committee

30 June 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL

This section will be inserted following the completion of the Audit of this draft Statement of Accounts and the receipt of the report from the Independent Auditor.

Main Financial Statements

MAIN FINANCIAL STATEMENTS:

INCOME AND EXPENDITURE ACCOUNT

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

2008-09 Net Revenue £000	Service	2009-10 Gross Exp £000	2009-10 Gross Income £000	2009-10 Net Revenue £000
	Continuing Operations			
4,258	Central Services to the Public	37,231	32,147	5,084
443	Court Services	459	-	459
71,985	Cultural, Environmental, Regulatory and Planning Services	115,250	31,688	83,562
82,462	Children's and Educational Services	381,912	312,139	69,773
35,670	Highways and Transport Services	46,224	7,750	38,474
7,691	Other Housing Services	157,952	144,653	13,299
101,620	Adult Social Care	119,308	32,721	86,587
4,573	Corporate and Democratic Core	5,084	-	5,084
1,177	Non Distributed Costs	1,585	-	1,585
309,879	Net Cost of Services	865,005	561,098	303,907
6,005	(Gain)/Loss on disposal of fixed assets			945
354	(Surplus)/deficit on trading undertakings			(111)
17,115	Interest payable and similar charges			16,642
63	Contribution of housing capital receipts to Government Pool			6
(4,973)	Interest and investment income			(4,055)
17,497	Pension interest costs and expected return on pensions assets			24,888
345,940	Net Operating Expenditure			342,222
(123,592)	Income from Council Tax			(128,719)
(54,318)	Government Grants (Note 2)			(68,306)
(129,413)	Distribution from Non-Domestic Rate Pool			(124,094)
38,617	(Surplus)/Deficit for the year			21,103

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 2010 the balance on the Income and 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.

MAIN FINANCIAL STATEMENTS:

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

2008-09 £000	Statement of the Movement on the General Fund Balance	2009-10 £000
38,617	(Surplus)/Deficit for year on Income and Expenditure Account	21,103
(35,784)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the GF balance	(26,579)
2,833	Decrease/(Increase) in the General Fund balance for the year	(5,476)
(11,115)	General Fund balance b/fwd	(8,282)
(8,282)	General Fund balance c/fwd	(13,758)

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

Analysis of reconciling items for the Statement of Movement on the General Fund Balance		
2008-09 £000		2009-10 £000
	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:-	
(40,828)	Depreciation and Impairment of General Fund fixed assets	(38,092)
3,047	Government grants deferred amortisation	3,149
(1,492)	Revenue expenditure funded from capital under statute	(1,958)
(5,995)	Net loss / gain on sale of fixed assets	(917)
(746)	Amount by which finance costs calculated in accordance with the SORP differs from the amount determined by statute	134
884	Amount by which Council Tax income and residual community charge adjustment included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	398
(43,221)	Net charges for retirement benefits FRS17	(42,635)
(88,351)		(79,921)
	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:-	
7,730	Minimum Revenue Provision	8,560
1,540	Capital expenditure charged to revenue	624
(63)	Transfer from useable capital receipts re payment to the Pool	(6)
29,628	Employers contributions to the Pension Fund and retirement benefits payable direct to pensioners	30,802
38,835		39,980
	Transfers to or from General Fund Balance required to be taken into account when determining the Movement on the General Fund Balance for the year:-	
13,732	Net transfer to/from earmarked reserves	13,362
13,732		13,362
(35,784)	Net Amount Required to be Credited to the General Fund	(26,579)

MAIN FINANCIAL STATEMENTS:

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2008-09 £000	Statement of Total Recognised Gains and Losses	2009-10 £000
38,617	(Surplus) / Deficit for year on Income and Expenditure Account	21,103
24,021	(Surplus) / Deficit arising on the revaluation of fixed assets	(15,068)
44	(Surplus) / Deficit arising on the revaluation of Available-for-sale financial assets	(55)
(50,140)	Actuarial (gains) / losses on Pension Fund assets and liabilities	114,760
(494)	Other (gains) and losses required to be included	-
-	(Surplus) / Deficit on the Collection Fund relating to Wirral	-
12,048	Total Recognised (gains) / losses for the year	120,740

The figures for 2008-09 have been restated. Details of this and the effect on the Balance Sheet are shown in note 1 to the main financial statements.

MAIN FINANCIAL STATEMENTS:			
2008-09	BALANCE SHEET	2009-10	
£000		£000	£000
	Fixed Assets		
1,124	Intangible Fixed Assets (Note 18)		1,131
	Operational Assets (Note 13): -		
589,950	- Other Land and Buildings	583,899	
3,248	- Vehicles, Plant and Equipment	3,498	
83,494	- Infrastructure Assets	91,606	
26,249	- Community Assets	25,356	
702,941			704,359
	Non-Operational Assets (Note 13)		
10,990	- Investment	10,413	
7,355	- Surplus	6,132	
27,761	- Construction	43,564	
46,106			60,109
11,396	Long-term Investments (Note 27)	11,073	
71,985	Long-term Debtors (Note 23)	68,018	
83,381			79,091
833,552	Total Long-Term Assets		844,690
	Current Assets		
317	- Stocks and Work in Progress (Note 24)	277	
70,752	- Debtors (Note 25)	66,153	
74,332	- Investments (Note 27)	95,346	
5,360	- Cash and Bank	7,923	
150,761			169,699
	Current Liabilities		
25,973	- Short Term Borrowing (Note 27)	19,372	
73,758	- Creditors (Note 26)	89,780	
99,731			109,152
884,582	Total Assets Less Current Liabilities		905,237
	Long-Term Liabilities		
270,221	Long-term Borrowing (Note 27)	261,108	
11,022	Provisions (Note 28)	9,047	
201,594	Government Grants Deferred	227,786	
549	Deferred Credits (Note 29)	371	
72,577	Lease Liability (Note 22)	72,453	
297,278	Liability Related to Defined Benefit Pension Scheme (Note 33)	423,871	
853,241			994,636
31,341	Total Assets Less Liabilities		(89,399)

	Financed by:	
75,226	Capital Adjustment Account (Note 30)	56,671
159,003	Revaluation Reserve (Note 30)	164,737
(4,258)	Financial Instruments Adjustment Account (Note 30)	(4,124)
746	Available-for-Sale Financial Instruments Reserve (Note 30)	475
(337)	Collection Fund Adjustment Account	61
9,472	Capital Receipts Reserve (Note 30)	9,047
(297,278)	Pensions Reserve (Note 35)	(423,871)
80,485	Reserves - General (Note 30)	93,847
8,282	Balances - General Fund (Note 30)	13,758
31,341	Total Reserves	(89,399)

MAIN FINANCIAL STATEMENTS:		CASH FLOW STATEMENT	
2008-09 £000			2009-10 £000
(24,651)	Net Cash Flow From Revenue Activities		(40,321)
	RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
	<i>Cash outflows</i>		
22,688	Interest Paid		22,550
	<i>Cash inflows</i>		
11,623	Interest Received		10,036
(13,586)	Net Revenue Activity		(27,807)
	CAPITAL ACTIVITIES:		
	<i>Cash outflows</i>		
51,189	Purchase of fixed assets		40,290
10,000	Purchase of long-term investments		7,500
19,119	Other capital payments		20,620
80,308			68,410
	<i>Cash inflows</i>		
2,937	Sale of fixed assets		3,575
43,544	Capital Grants received		59,595
8,060	Other capital cash receipts		9,326
54,541			72,496
12,181	Net Cash (Inflow) / Outflow Before Financing		(31,893)
	MANAGEMENT OF LIQUID RESOURCES:		
(2,854)	Net increase / (decrease) in other short term investments		21,014
-	Net increase / (decrease) in other liquid resources		(6,759)
9,327			(17,638)
	FINANCING:		
	<i>Cash outflows</i>		
13,345	Repayment of amounts borrowed		25,836
(572)	Capital element of finance leases		(761)
	<i>Cash inflows</i>		
-	New loans raised		10,000
21,800	New short term loans		-
(9,027)	Net Financing		15,075
300	Overall (Increase) / Decrease in Cash		(2,563)

NOTES TO THE MAIN FINANCIAL STATEMENTS

1. PRIOR PERIOD ADJUSTMENTS

Income and Expenditure Account

In the 2009-10 Statement of Accounts the Council has restated the 2008-09 Income and Expenditure Account comparative figures for the effect of the following:

- (i) The effect of a change in the accounting policy relating to the Private Finance Initiative.
- (ii) The effect of a change in the accounting policy relating to the Collection Fund.

The effect of the above is set out in the following table:

Income and Expenditure Line	Original 2008-09 Net expenditure £000	(i) PFI £000	(ii) Collection Fund £000	Restated 2008-09 Net expenditure £000
Central Services to the Public	4,258	-	-	4,258
Court Services	443	-	-	443
Cultural, Environmental, Regulatory and Planning Services	71,985	-	-	71,985
Children's and Educational Services	85,909	(3,447)	-	82,462
Highways and Transport Services	35,670	-	-	35,670
Housing Services	7,691	-	-	7,691
Adult Social Services	101,620	-	-	101,620
Corporate and Democratic Core	4,573	-	-	4,573
Non Distributed Costs	1,177	-	-	1,177
Interest Payable and Similar Charges	11,305	5,810	-	17,115
Demand on the Collection Fund	(123,217)	-	(375)	(123,592)
Collection Fund Deficit from Previous Year	509	-	(509)	-
(Surplus)/Deficit for the year	37,138	2,363	(884)	38,617

Statement of Movement on the General Fund Balance

In the 2009-10 Statement of Accounts the Council has restated the 2008-09 Statement of Movement on the General Fund Balance comparative figures for the effect of the following:

- (i) The effect of a change in the accounting policy relating to the Private Finance Initiative.
- (ii) The effect of a change in the accounting policy relating to the Collection Fund.

The effect of the above is set out in the following table:

Statement of Movement on the General Fund Balance Line	Original 2008-09	(i) PFI	(ii) Collection Fund	Restated 2008-09
	£000	£000	£000	£000
(Surplus)/Deficit for the year on the Income and Expenditure Account	37,138	2,363	(884)	38,617
Net additional amount required by statute and non-statutory proper practices	(34,305)	(2,363)	884	(35,784)
Decrease in the General Fund Balance for the year	2,833	-	-	2,833
General Fund Balance Brought Forward	(11,115)	-	-	(11,115)
General Fund Balance Carried Forward	(8,282)	-	-	(8,282)

The following variations are included within reconciling items:-

	£000
Private Finance Initiative	1,812
Transfers to/from Earmarked Reserves	(1,825)
Minimum Revenue Provision	(572)
Depreciation and Impairment	(1,778)
Council Tax Adjustment	884
Net Amount credited to the General Fund	(1,479)

Statement of Total Recognised Gains and Losses

In the 2009-10 Statement of Accounts the Council has restated the 2008-09 Statement of Total Recognised Gains and Losses comparative figures for the effect of the following:

- (i) The effect of a change in the accounting policy relating to the Private Finance Initiative.
- (ii) The effect of a change in the accounting policy relating to the Collection Fund.

The effect of the above is set out in the following table:

Statement of Total Recognised Gains and Losses	Original 2008-09	(i) PFI	(ii) Collection Fund	Restated 2008-09
	£000	£000	£000	£000
(Surplus) / Deficit for the year on the Income and Expenditure Account	37,138	2,363	(884)	38,617
(Surplus) / Deficit arising on the revaluation of fixed assets	(20,730)	44,751	-	24,021
(Surplus) / Deficit arising on the revaluation of Available-for-sale financial assets	44	-	-	44
Actuarial (gains) / losses on Pension Fund assets and liabilities	(50,140)	-	-	(50,140)
Other (gains) and losses required to be included	(494)	-	-	(494)
(Surplus) / Deficit on the Collection Fund relating to Wirral	(884)	-	884	-
Total Recognised (Gains) / Losses for the year	(35,066)	47,114	-	12,048

Balance Sheet

In the 2009-10 Statement of Accounts the Council has restated the 2008-09 Balance Sheet comparative figures for the effect of the following:

- (i) The effect of a change in the accounting policy relating to the Private Finance Initiative.
- (ii) The effect of a change in the accounting policy relating to the Collection Fund.

The effect of the above is set out in the following table:

Balance Sheet	Original 2008-09 £000	(i) PFI £000	(ii) Collection Fund £000	Restated 2008-09 £000
Other Land and Buildings	523,834	66,116	-	589,950
Deferred Consideration	40,454	(40,454)	-	-
Long-Term Debtors	72,946	(961)	-	71,985
Debtors	73,608	762	(3,618)	70,752
Creditors	(77,376)	-	3,618	(73,758)
Lease Liability	-	(72,577)	-	(72,577)
Capital Adjustment Account	(124,412)	49,186	-	(75,226)
Revaluation Reserve	(155,107)	(3,896)	-	(159,003)
Collection Fund Adjustment Accounts	-	-	337	337
Reserves	(82,310)	1,825	-	(80,485)
Balances	(7,945)	-	(337)	(8,282)
Total Equity	(78,455)	47,114	-	(31,341)

Cash Flow Statement

In the 2009-10 Statement of Accounts the Council has restated the 2008-09 Cash Flow comparative figures to take account of the changes reflected above.

Cash Flow Statement	Original 2008-09 £000	Adjustment £000	Restated 2008-09 £000
Net Cash Flow from Revenue Activities	(18,364)	(6,287)	(24,651)
Net Revenue Activity	(13,109)	(477)	(13,586)
Net Cash (Inflow) / Outflow Before Financing	11,609	572	12,181
Net Financing	(8,455)	(572)	(9,027)

2. GENERAL GOVERNMENT GRANTS

General Government grants comprise of grants which, when awarded by Central Government, were not attributable to a specific service. This line within the Income and Expenditure Account comprises of Revenue Support Grant, Area Based Grant (ABG) Private Finance Initiative (PFI), Local Area Agreement (LAA) Performance Reward Grant and Local Authority Business Growth Incentive Grant (LABGI). The grant elements within this line are as follows:

General Government Grants	£000
Area Based Grant	31,976
Revenue Support Grant	28,643
Private Finance Initiative	5,471
LAA Performance Reward Grant	1,983
Local Authority Business Growth Incentive Grant	233
Total	68,306

ABG was introduced from 1 April 2008 and is a non-ring fenced general grant. There are no specific conditions to ABG and the Local Authority has flexibility in its use. During 2009-10 this grant was allocated to services in line with the indicative allocations for its use from the Department for Communities and Local Government.

RSG is a general grant to support Local Authorities. PFI grant is provided to support a number of Wirral's school new build and refurbishment schemes. The LAA Performance Reward Grant is paid on the achievement of performance targets. The LABGI scheme provides grant from redistributed Central Government resources based upon the growth in National Non-Domestic Rates in the area.

3. DEDICATED SCHOOLS GRANT (DSG)

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

Details of the deployment of DSG receivable for 2009-10 are as follows:

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

4. TRADING OPERATIONS

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

(1) Highways Services

The Highways Services Operation ended in 2008-09. These services from 1 April 2009 have been provided by an external contractor, Colas.

	2008-09 £000	2009-10 £000
Income	7,054	-
Expenditure	7,511	-
Surplus (Deficit)	(457)	-

(2) Vehicle Maintenance Unit

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

	2008-09 £000	2009-10 £000
Income	411	468
Expenditure	409	456
Surplus (Deficit)	2	12

(3) Building Cleaning

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

	2008-09 £000	2009-10 £000
Income	921	1,071
Expenditure	870	972
Surplus (Deficit)	51	99

(4) Grounds Maintenance Services

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

	2008-09 £000	2009-10 £000
Income	5,737	1,619
Expenditure	5,687	1,619
Surplus (Deficit)	50	0

There were no internal recharges in 2009-10 which accounts for the reduction in expenditure and income.

5. OFFICERS' EMOLUMENTS AND SENIOR OFFICERS' REMUNERATION

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 was:-

Remuneration Band	Number of Employees					
	2008-09			2009-10		
	General	Teaching	Total	General	Teaching	Total
£ 50,000 - £ 54,999	21	96	117	21	105	126
£ 55,000 - £ 59,999	7	68	75	10	76	86
£ 60,000 - £ 64,999	3	26	29	4	34	38
£ 65,000 - £ 69,999	4	9	13	3	18	21
£ 70,000 - £ 74,999	17	4	21	17	2	19
£ 75,000 - £ 79,999	1	3	4	1	6	7
£ 80,000 - £ 84,999	1	8	9	2	4	6
£ 85,000 - £ 89,999	0	3	3	0	6	6
£ 90,000 - £ 94,999	0	4	4	0	5	5
£ 95,000 - £ 99,999	0	2	2	0	2	2
£100,000 - £104,999	2	1	3	2	2	4
£105,000 - £109,999	0	0	0	1	0	1
£110,000 - £114,999	2	0	2	3	0	3
£115,000 - £119,999	2	0	2	1	1	2
£120,000 - £124,999	1	0	1	1	0	1
£125,000 - £129,999	0	0	0	0	0	0
£130,000 +	1	0	1	1	0	1
Totals	62	224	286	67	261	328

The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

Senior Officers Remuneration	Salary	Benefits in Kind	Total Excluding Pension Contributions	Pension Contributions	Total Including Pension Contributions
Financial Year 2009-10					
Post Title	£	£	£	£	£
Chief Executive	135,384	390	135,774	23,414	159,188
Deputy Chief Executive & Director of Corporate Services	121,850	1,170	123,020	21,073	144,093
Director of Finance	112,848	2,094	114,942	19,523	134,465
Director of Adult Social Services	107,250	1,170	108,420	18,546	126,966
Director of Technical Services	112,520	2,340	114,860	19,523	134,383
Director of Regeneration	112,892	2,119	115,011	19,523	134,534
Director of Law, HR & Asset Management	104,428	-	104,428	18,058	122,486
Director of Children's Services	112,892	1,798	114,690	19,523	134,213
Total	920,064	11,081	931,145	159,183	1,090,328
Financial Year 2008-09					
Post Title	£	£	£	£	£
Chief Executive	135,427	1,095	136,522	22,887	159,409
Deputy Chief Executive & Director of Corporate Services	121,893	1,095	122,988	20,599	143,587
Director of Finance	112,848	2,107	114,955	19,071	134,026
Director of Adult Social Services	104,236	527	104,763	17,615	122,378
Director of Technical Services	112,669	3,005	115,674	19,041	134,715
Director of Regeneration	112,935	1,335	114,270	19,086	133,356
Director of Law, HR & Asset Management	61,209	-	61,209	10,344	71,553
Director of Children's Services	112,935	2,068	115,003	19,086	134,089
Total	874,152	11,232	885,384	147,729	1,033,113

- The Director of Law, HR & Asset Management was appointed in August 2008
- Benefits in kind relate to car allowances

6. MEMBERS' ALLOWANCES

During the year, Members were paid £814,380 (2008-09 £828,727). This covered basic, special responsibility, attendance and subsistence allowances.

7. 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:-

2008-09 £000		2009-10 £000
	Central Government	
575,528	Revenue	622,976
42,147	Capital	68,921
	European Community	
-	Revenue	184
9,457	Capital	-
13,928	Merseyside Police Authority - Precept	14,662
6,247	Merseyside Fire and Civil Defence Authority - Precept	6,504
25,311	Merseyside Passenger Transport - Levy	26,305
14,253	Merseyside Waste Disposal Authority - Levy	16,480
148	Environment Agency - Flood Defence Levy	153
	Merseyside Pension Fund	
28,250	Payment of employer's superannuation contributions in respect of non teaching employees	28,909
	Department for Education	
13,135	Payment of employer's superannuation contributions in respect of teachers	13,432

During the year the Council charged the Pension Fund £3.838 million for expenses incurred in administering the Fund.

Members of the Council are Board Members of Wirral Partnership Homes as well as Members of Beechwood and Ballantyne Community Housing Association. These Members have declared interests, where required, in items associated with these organisations. Material transactions with Wirral Partnership Homes amount to £5,205,442 and with Beechwood and Ballantyne Community Housing Association, £89,396.

8. THE NATURE AND AMOUNT OF ANY SIGNIFICANT AGENCY INCOME AND EXPENDITURE

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

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

	2008-09	2009-10
	£000	£000
Costs incurred	2,756	4,154
Total amount reimbursable	2,756	4,154

9. DISCLOSURE OF AUDIT COSTS

In 2008-09 and 2009-10 the Council incurred the following fees relating to external audit and inspection:

Disclosure of Audit Costs	2008-09	2009-10
	£000	£000
Fees payable to the Audit Commission for External Audit services carried out by the appointed auditor	407	390
Fees payable to the Audit Commission for certification of grant claims and returns	155	128
Fees payable to the Audit Commission in respect of statutory inspection	23	17
Fees payable in respect of other services provided by the appointed auditor	4	15
Total charge for the year	589	550

In 2009-10 the fees for other services related to work undertaken for the Authority by the Audit Commission relating to the Public Interest Disclosure Act.

10. POOLED BUDGETS

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

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

Wirral Council's contribution for 2009-10 is £520,000 (2008-09 £510,000) out of total expenditure of £1.842 million.

11. COMMUNITY FUND

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

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

During 2009-10 income was received from savings relating to the refurbishment programme VAT arrangements, from the sale of some former HRA assets and from interest earned on the Fund balances. Expenditure of £0.275 million was incurred in the year relating to activities undertaken by Wirral Partnership Homes

Community Fund Statement	£000	£000
Balance at 1 April 2009		17,437
Movement 2009-10		
Income		
- Contributions arising from VAT savings	2,145	
- Property Sales	121	
- Interest received	77	2,343
Expenditure		(276)
Balance at 31 March 2010		19,504

After allowing for potential warranty liabilities, at 31 March 2010 the Fund held £17 million for use by Wirral Council and Wirral Partnership Homes. Wirral Council has received approval for a number of schemes financed from the Fund. These include £4.5 million for the Asset Transfer Programme, £2.6 million to support Investment and Regeneration Programmes and £1 million for the support of Housing initiatives. The funding on these initiatives is expected to be expended during 2010-11.

12. GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments in 2009-10 consist of the following items:

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

This compares with the gains and losses recognised in the Income and Expenditure Account in relation to financial instruments in 2008-09:

	Liabilities	Assets		Total
	Measured at amortised cost £000	Loans and Receivables £000	Available for sale assets £000	£000
Interest expense	(10,636)	-	-	
Impairment losses	-	(669)	-	
Interest payable and similar charges	(10,636)	(669)	-	(11,305)
Interest Income	-	4,418	555	
Interest and Investment Income	-	4,418	555	4,973
Gains on revaluation			68	
Losses on revaluation			(112)	
Deficit arising on revaluation of financial assets			(44)	
Net gain/ (loss) for the year	(10,636)	3,749	511	

Note on Heritable Bank Impairment

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Authority has £2.0 million deposited with Heritable bank at an interest rate of 6.22% which was due to mature on 28 November 2008.

Heritable bank is a UK registered bank under English law. The Company was placed in administration on 7 October 2008. The latest creditor progress report issued by the administrators Ernst and Young dated 28 January 2010 outlined that the return to creditors is projected to be 85p in the £ by the end of 2012. The Authority has, therefore, decided to recognise an impairment based on it recovering 85p in the £.

In 2008-09 an impairment loss of £669,128 was recognised in the Authority's Income and Expenditure account. This impairment was based on a projected return of 80p in the £ and was calculated by discounting the assumed cashflows at the effective interest rate of the original deposit. Based on latest information available the Authority considers that it is appropriate to consider an adjustment to this impairment. As the information is not definitive as to the amounts and timings of payments to be made by the administrators, it is likely that further adjustments will be made to the accounts in future years.

As at 31 March 2010 the Authority had recovered 35% from the Administrators. In calculating the adjusted impairment loss, the Authority has made the assumption that further recoveries of 5% will be made at three monthly intervals until September 2012, up to a total recovery of 85%. Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 6 October 2008. Based on these revised assumptions, the Authority has reduced the expected impairment loss by £130,720 to £538,408 and recognised the adjustment in the 2009-10 Income and Expenditure Account.

The Authority has taken advantage of the Capital Financing Regulations to defer the impact of the impairment on the General Fund and a sum of £295,137 has been transferred to the Financial Instruments Adjustment Account over the past two years. The balance of £243,271 relates to interest which has been borne in full by the General Fund, £165,981 in 2008-09 and £77,290 in 2009-10.

13. MOVEMENT ON FIXED ASSETS

Operational assets	Land and buildings	Vehicles, plant, etc.	Infra-structure Assets	Community Assets	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2009	639,035	8,984	102,550	26,249	776,818
Additions	8,299	1,703	10,537	748	21,287
Disposals	(190)	(5,212)	-	(1,276)	(6,678)
Reclassifications	16	-	-	(297)	(281)
Revaluations	7,244	-	-	-	7,244
Revaluation Impairment	(5,119)	-	-	(68)	(5,187)
At 31 March 2010	649,285	5,475	113,087	25,356	793,203
Depreciation and impairment					
At 1 April 2009	(49,085)	(5,736)	(19,056)	-	(73,877)
Charge 2009-10	(23,991)	(704)	(2,425)	-	(27,120)
Impairment	1,214	-	-	-	1,214
Disposals	-	4,463	-	-	4,463
Reclassifications	-	-	-	-	-
Revaluations	6,476	-	-	-	6,476
At 31 March 2010	(65,386)	(1,977)	(21,481)	-	(88,844)
Balance Sheet at 31 March 2010	583,899	3,498	91,606	25,356	704,359
Balance Sheet at 1 April 2009	589,950	3,248	83,494	26,249	702,941
Nature of asset holding					
Owned	507,655	3,498	91,606	25,356	628,115
Finance lease	-	-	-	-	-
PFI	76,244	-	-	-	76,244
	583,899	3,498	91,606	25,356	704,359

13. MOVEMENT ON FIXED ASSETS (CONTINUED)

Non-operational assets	Investment £000	Surplus £000	Construction £000	Total £000
Cost or valuation				
At 1 April 2009	11,027	7,392	27,761	46,180
Additions	-	532	21,435	21,967
Disposals	(82)	(2,201)	-	(2,283)
Reclassifications	(25)	5,938	(5,632)	281
Revaluations	876	1,547	-	2,423
Revaluation Impairment	(1,348)	(7,039)	-	(8,387)
At 31 March 2010	10,448	6,169	43,564	60,181
Depreciation and impairment				
At 1 April 2009	(37)	(37)	-	(74)
Charge 2009-10	-	-	-	-
Impairment	1	-	-	1
Disposals	1	-	-	1
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2010	(35)	(37)	-	(72)
Balance Sheet at 31 March 2010	10,413	6,132	43,564	60,109
Balance Sheet at at 1 April 2009	10,990	7,355	27,761	46,106
Nature of asset holding				
Owned	10,413	6,132	43,564	60,109
Finance lease	-	-	-	-
PFI	-	-	-	-
	10,413	6,132	43,564	60,109

14. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

Summary of Capital Expenditure and Financing	2008-09	2009-10
	£000	£000
Capital Investment		
Intangible Assets	484	280
Operational Assets	37,034	21,287
Non-Operational Assets	12,840	21,967
Revenue Expenditure Funded from Capital Under Statute	18,828	20,319
Long Term Debtors	333	553
	69,519	64,406
Sources of Finance		
Borrowing supported by Government financial assistance	(7,893)	(7,347)
Borrowing unsupported by Government financial assistance	(9,885)	(3,821)
Capital Receipts	(4,000)	(4,000)
Government Grants and Other Contributions	(45,405)	(47,745)
Revenue Provision	(2,336)	(1,493)
	(69,519)	(64,406)

15. STATEMENT OF PHYSICAL ASSETS

Wirral Council owns the following major assets at 31 March 2010: -

BUILDINGS		BUILDINGS (Continued)	
Children's		Miscellaneous	
Primary/Nursery Schools/Children's Centres	78	Industrial and Retail Units	109
Secondary Schools	14	Shops	6
Youth Centres/Family Centres	13	Administration Buildings	16
Special Schools	12	Public Toilets	13
Teachers' Centre	1	Residential	4
Children's Homes	3		
Cultural Services		OTHER ASSETS	
Libraries	24	Infrastructure	
Play/Community Centres	26	Infrastructure	
Halls	10	Unclassified Roads	965km
Sports Centres	10	Other Public Slip Roads, Passageways	154km
Cemeteries and Crematoria	8	Classified Non Principal	116km
Golf Courses	4	Principal Roads	99km
Art Galleries/Museums/Archives	5	Street Lights	37600
Paintings and Prints	6,000	Pelican / Puffin Crossing Installations	141
Ceramic Objects	1,800	Traffic Signal Installations	102
Coins and medals	949	Car Parks	85
Silver, Textiles and Glass and Sculpture	957	Bridges	53
Ethnographic, Domestic and Archaeological Objects	849	Sea Defences	26km
Transport Vehicles and Trams	7	Land	
Transport and Maritime related objects	900	Open Spaces	116
Theatre/Exhibition Centres	2	Allotments and Agricultural	60
Birkenhead Park Pavilion	1	Parks and Gardens	43
Adults Services		Playgrounds and Playing Fields	104
Older Persons Residential Units	4	Woodland and Heathland	32
Day Centres	14	Nature Reserves	7
Residential Disabled Supported Living	3	Clearance Areas	10
Group Homes	4	Housing development sites	6
Supported Employment Centres	2	Country Parks	6

16. VALUATION INFORMATION

The Authority adopts a 5 year rolling programme of valuations under which all assets have been re-valued. A valuation certificate for all land and properties, with the exception of infrastructure, was provided for the 2009-10 financial year by R.M. Hird FRICS, employed by the Department of Law, HR and Asset Management.

Valuation methods are as follows:-

- Properties regarded by the Authority as operational and non-specialised are valued on the basis of Existing Use Value (EUV).
- Properties regarded by the Authority as operational and specialised are valued on the basis of Depreciated Replacement Cost (DRC).
- Properties regarded by the Authority as non-operational (investment and surplus assets) are valued on the basis of Market Value (MV).
- Infrastructure assets as well as vehicles, plant and equipment are included in the Balance Sheet at historic cost net of depreciation.
- Community assets and assets under construction are included in the Balance Sheet at historic cost.

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

	Land and Buildings £000	Investment £000	Surplus £000	Total £000
Valued at current value in				
2009-10	60,677	1,421	5,306	67,404
2008-09	99,221	5,782	826	105,829
2007-08	340,860	2,523	-	343,383
2006-07	54,846	428	-	55,274
2005-06	19,996	259	-	20,255
	575,600	10,413	6,132	592,145

Vehicles, plant and equipment, infrastructure assets, community assets and assets under construction are excluded from the above since they are valued at historic cost. Differences between total values in the table to those in note 13 (Movement in Fixed Assets) result from capital expenditure in 2009-10, which has not yet been valued.

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

17. ANALYSIS OF NET ASSETS EMPLOYED

	2008-09 £000	2009-10 £000
General Fund	328,619	334,472
Pensions Reserve	<u>(297,278)</u>	<u>(423,871)</u>
	31,341	(89,399)

18. INTANGIBLE FIXED ASSETS

Movement in intangible assets	Purchased software licences £000
Original cost	2,062
Amortisations to 1 April 2009	(938)
Balance at 1 April 2009	1,124
Expenditure in year	280
Written off to revenue in year	(273)
Balance at 31 March 2010	1,131

Software licences are held in connection with the Council's information technology programme, Geographical Information System and a software management system. The cost is being written off over the perceived minimum life of the licences.

19. 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 2 years for surplus assets to 120 years for infrastructure.

Up to 2007-08 all infrastructure assets were depreciated over 40 or 50 years. Expenditure on infrastructure from 2008-09 has been classified as follows with assessed useful life for each class of infrastructure asset.

Infrastructure asset class	Assessed useful life
Road	20 years
Footpath and cycle route	20 years
Structures (i.e Bridges)	120 years
Highway and high mast lighting	30 years
Street furniture	10 years
Traffic management	10 years
Coastal protection	50 years

20. COMMITMENTS UNDER CAPITAL CONTRACTS

Significant contracts for future capital expenditure include:-

	£000
Housing Market Renewal Initiative	36,000
Pensby / Stanley - New School Developments	12,350
Park Primary - New School Development	4,828
Woodchurch One School Pathfinder	4,823
Landican Cemetery - Mercury Abatement	3,300
Bidston Moss Viaduct	2,267
Gayton Primary - Disabled Access	372
Stanton Road school - Early Years' Development	284

The HMRI programme represents a commitment of £12 million in 2010-11 with a further £24 million contained within the 2011-13 Capital Programme. However, it is grant funded and the Government announced in June 2010 a reduction of 16% for the 2010-11 Programme and there may also be reductions in subsequent years.

The liability in respect of Bidston Moss Viaduct is shared between the Council, Merseytravel and the Highway Agency. The Council's contribution is capped at £2.88 million.

21. 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 2009-10 was £1,665,000, (2008-09 £2,336,000) and payments are analysed below. The SORP requires charges to be made evenly throughout the period of the lease.

	2008-09	2009-10
	£000	£000
Information Technology and Furniture	1,045	401
Wheeled Bins	493	493
Property	474	473
Vehicles	249	248
Sport and Recreation	67	38
Grounds Maintenance Equipment	8	8
Catering Equipment	-	4
	2,336	1,665

The Authority was committed at 31 March 2010 to making payments of £1,368,000 under operating leases in 2009-10 comprising the following elements:

	Operating Leases £000
Leases expiring in 2010-11	307
Leases expiring between 2011-12 and 2015-16	588
Leases expiring after 2015-16	473
	1,368

Authority as lessor – The Authority leases various industrial units, the gross value of which is £4,969,252 (£4,964,252 in 2008-09). Rental income on these properties amounted to £318,575 (£329,400 in 2008-09).

22. PRIVATE FINANCE INITIATIVE

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

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

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

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

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

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

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

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

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

	Carrying Amount 31.03.2009 £000	Depreciation 2009-10 £000	Carrying Amount 31.03.2010 £000
Bebington High School	8,497	(193)	8,304
Hilbre High School	7,740	(174)	7,566
Prenton High School	4,814	(110)	4,704
South Wirral High School	7,773	(175)	7,598
Wallasey High School	9,718	(222)	9,496
Weatherhead High School	16,405	(376)	16,029
Wirral Grammar School for Girls	8,645	(194)	8,451
Leasowe Primary School	2,943	(67)	2,876
Park High School	11,517	(266)	11,251
	78,052	(1,777)	76,275

The value of the outstanding short and long term lease liability is shown below:

	£000
31.03.2009	71,814
31.03.2010	72,576
Increase in 2009-10	762

The movement can be explained as follows:-

	£000
Unitary payment	9,559
Allocated to:	
Service costs	3,806
Life cycle costs	658
Interest and similar charges	5,857
	10,321
Allocated to lease liability	(762)

The value of the outstanding short and long term lease liability is shown below:

	£000
Long-Term Liability	72,453
Short-Term Liability	123

The annual movement may not always result in a reduction in the liability as other elements (e.g. service and life cycle costs) have a prior call on the unitary payment.

Future payments will be allocated according to the following schedule:-

	Service Costs £000	Life cycle Costs £000	Interest & similar charges £000	Lease liability £000	Total £000
2010-11	4,854	727	7,332	124	13,037
2011-12 to 2015-16	29,079	7,855	40,420	1,739	79,093
2016-17 to 2020-21	39,080	10,087	48,251	9,368	106,786
2021-22 to 2025-26	52,520	14,174	55,908	19,004	141,606
2026-27 to 2030-31	70,582	7,243	68,483	41,476	187,784
2031-32 to 2035-36	5,550	403	1,191	864	8,008
	201,665	40,489	221,585	72,575	536,314

The total unitary payments for each of the above years are those estimated based on the annualised inflation rate of 3% contained in the operator's financial model.

23. LONG TERM DEBTORS

Long Term Debtors	Balance 1.4.2009 £000	Advances £000	Repaid/ Re- classified £000	Balance 31.3.2010 £000
Repayment of Former M.C.C. Debt	71,498	-	(4,469)	67,029
Regeneration Property loans	333	553	-	886
Repayment of Council Mortgages	154	-	(51)	103
	71,985	553	(4,520)	68,018

The £67.0 million debt in respect of the former Merseyside County Council (MCC) is calculated according to a statutory regulation, whereas the actual balance of the loans referred to in Note 27 are determined by the existing loan repayment profile.

In 2008-09 the Authority introduced a number of loan schemes targeted at property regeneration activities mainly in connection with Housing Market Renewal Initiative activities. These included equity renewal and renovation and empty property loans. These loan arrangements, in line with Central Government policy, reflect the move away from grant based initiatives and will provide a wider level of support to householders.

24. STOCKS

Stocks	31.3.2009	31.3.2010
	£000	£000
Regeneration	128	122
Educational Services	102	78
Adult Social Services	35	58
Operational and Building Services	32	-
Other	20	19
	317	277

25. DEBTORS

Debtors	31.3.2009	31.3.2010
	£000	£000
Amounts falling due in one year		
Sundry Debtors	16,049	16,062
Government Departments	21,047	26,000
Collection Fund	14,297	11,948
Other Public Bodies	13,984	8,550
Prepayments	3,340	3,463
European Community	1,994	41
Financial Institutions	41	89
	70,752	66,153

26. CREDITORS

Creditors	31.3.2009	31.3.2010
	£000	£000
Sundry Creditors	30,029	38,170
Other Public Bodies	12,206	2,696
Government Departments	8,717	10,516
European Community	469	475
Financial Institutions	92	64
	51,513	51,921
Receipts in Advance	22,245	37,859
	73,758	89,780

27. FINANCIAL INSTRUMENTS BALANCES

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

Financial Liabilities						
Carrying Amount at 31.03.2009 £000		Nominal Value £000	Accrued Coupon Interest £000	Stepped Interest Adjustment £000	Un-amortised Premium £000	Carrying Amount at 31.03.2010 £000
	Short term borrowing					
14,136	PWLB	16,000	932	-	-	16,932
-	Financial Institutions	-	2,404	-	-	2,404
11,837	Other public bodies	36	-	-	-	36
25,973		16,036	3,336	-	-	19,372
	Long term borrowing					
96,805	PWLB	90,529	-	-	(575)	89,954
173,169	Financial Institutions	173,600	-	3,828	(6,486)	170,942
247	Other public bodies	212	-	-	-	212
270,221		264,341	-	3,828	(7,061)	261,108
296,194	TOTAL	280,377	3,336	3,828	(7,061)	280,480

In accordance with the 2009 SORP, the carrying amounts for financial liabilities at 31 March 2010 are shown at amortised cost. The table above provides an analysis of the components which make up the amortised cost.

Financial Assets					
Carrying Amount at 31.03.2009 £000		Nominal Value £000	Accrued Coupon Interest £000	Impairment £000	Carrying Amount at 31.03.2010 £000
	Loans and Receivables				
49,635	Current Assets - Investments	88,421	925	-	89,346
10,477	Long term - Investments	2,842	295	(538)	2,599
60,112		91,263	1,220	(538)	91,945
	Available for sale financial assets				
24,697	Current Assets - Investments				6,000
919	Long term - Investments				8,474
25,616					14,474
85,728	TOTAL				106,419

In accordance with the 2009 SORP, the carrying amounts at 31 March 2010 for financial assets classified as loans and receivables, which are shown at amortised cost and are available for sale, are shown at fair value.

FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The Council's financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The 2009 SORP requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2010 consisted of loans from the Public Works Loan Board (PWLB), market loans from banks and loans from other public bodies.

The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on 31 March 2010.

For the Council's market and other public bodies loans the lenders were requested to provide details of the Fair Values on each loan. Two banks responded to this request and provided details based on the estimated breakage costs of the loans. In the absence of Fair Values being provided by the remaining lenders, the Council has assessed Fair Value using the equivalent PWLB interest rates ruling on 31 March 2010.

In the case of the Council's investments, these consisted of term deposits, money market funds, a European Investment Bank (EIB) bond and a Gilt. The contractual arrangements for term deposits do not permit premature repayment, therefore, the fair values have been assessed as being the same as the carrying amount on the Balance

Sheet. The money market funds, EIB bond and Gilt are already shown in the Balance Sheet at fair value based on their quoted market price.

Carrying Amount at 31.03.2009 £000	Fair value as at 31.03.2009 £000		Carrying Amount at 31.03.2010 £000	Fair value as at 31.03.2010 £000
		Financial Liabilities:		
		Borrowings		
110,941	127,359	PWLB	106,886	119,072
173,169	236,595	Financial institutions	173,346	242,651
12,084	12,084	Other public bodies	248	248
296,194	376,038	Total Financial Liabilities	280,480	361,971

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

Carrying Amount at 31.03.2009 £000	Fair value as at 31.03.2009 £000		Carrying Amount at 31.03.2010 £000	Fair value as at 31.03.2010 £000
		Financial Assets:		
60,113	60,113	Loans and Receivables	95,945	95,945
25,615	25,615	Available-for-sale financial assets	10,474	10,474
85,728	85,728	Total Financial Assets	106,419	106,419

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

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities. This includes a Treasury Management Strategy that sets out the parameters for the management of risks associated with Financial Instruments. All Treasury Management activities are carried out in accordance with the strategy approved by the Council. The priority is to give security and liquidity, rather than yield, seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

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

Credit Risk

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

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2010 by the counterparty's country of origin and its credit rating.

Financial Institution / Instrument and Country	*Credit Rating		Maturity of Investment					Balance Invested at 31.03.2010 £000
	Long Term	Short Term	Instant Access	0-3 Months	3-6 Months	6-12 Months	Over 12 Months	
			£000	£000	£000	£000	£000	
LOANS AND RECEIVABLES								
Banks:-								
UK	AA-	F1+	9,000	7,100	6,900	7,000	-	30,000
UK	A+	F1	11,600	12,400	-	17,000	2,000	43,000
Investment - Banks			20,600	19,500	6,900	24,000	2,000	73,000
Building Societies:-								
UK	A+	F1+	-	2,000	-	13,000	-	15,000
UK	BBB	F1	-	2,000	-	-	-	2,000
Investment - Bldg Socs			-	4,000	-	13,000	-	17,000
TOTAL			20,600	23,500	6,900	37,000	2,000	90,000
AVAILABLE-FOR-SALE FINANCIAL ASSETS								
Gilts	AAA	F1+	-	-	-	-	8,475	8,475
Money Market Fund	AAA	F1+	6,000	-	-	-	-	6,000
TOTAL			6,000	-	-	-	8,475	14,475
Total Financial Instruments			26,600	23,500	6,900	37,000	10,475	104,475

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

This table excludes the Council's impaired investment with Heritable Bank. Information on this can be found within Note 12 - Gains and Losses on Financial Instruments.

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

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

2008-09	Trade Debtors	2009-10
£000		£000
13,514	Gross Debtors	16,425
3,108	Bad Debt Provision	4,676
10,406	Net Trade Debtors	11,749

Liquidity Risk

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

The maturity analysis of the nominal value of the Council's debt at 31 March 2010 was as follows

	31.03.2010	
Maturity of Borrowing (Years)	£000	%
<u>Short Term Borrowing</u>		
Less than 1 year	16,036	5.72
Total Short Term Borrowing	16,036	5.72
<u>Long Term Borrowing:-</u>		
Over 1 year under 2 years	14,035	5.01
Over 2 years under 3 years	16,135	5.75
Over 3 years under 4 years	29,035	10.36
Over 4 years under 5 years	12,035	4.29
Over 5 years under 10 years	28,072	10.01
Over 10 years under 20 years	39,029	13.92
Over 20 years under 40 years	33,000	11.77
Over 40 years under 60 years	74,500	26.57
Over 60 years under 70 years	18,500	6.60
Total Long Term Borrowing	264,341	94.28
Total Borrowing	280,377	100.00

Market Risk

(1) Interest Rate Risk:

The Council is exposed to risks arising from movements in interest rates. To give the Authority maximum flexibility during the year's unsettled market conditions the Treasury Management Strategy did not place limits on the amount of debt that can be exposed to fixed or variable interest rates. At 31 March 2010 100% of the debt portfolio was held in fixed rate instruments.

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

(2) Price risk:

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

(3) Foreign exchange risk

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

28. PROVISIONS

The following are the main provisions made by the Council.

Bad Debts

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

	Balance 1.4.2009	Add: Contrib- utions	Less: Write-offs	Reduced Require- ment	Balance 31.3.2009
	£000	£000	£000	£000	£000
Council Tax	5,734	2,027	-	(1,068)	6,693
Housing Benefit	4,995	493	-	-	5,488
Sundry Debtors	3,108	1,568	-	-	4,676
Summons Costs	645	31	-	-	676
	14,482	4,119	-	(1,068)	17,533

Others

The provisions figure shown in the Balance Sheet comprises:

Provision:	Balance 1.4.2009	Additions	Utilised	Balance 31.3.2010
	£000	£000	£000	£000
Insurance Fund	4,248	244	(210)	4,282
Housing Benefit	3,453	-	(300)	3,153
PIDA - West Wirral Supported Living	68	173	-	241
Empty Property	-	188	-	188
Match Funding	167	-	-	167
Local Development Framework	160	-	(23)	137
LAA Network Support	200	-	(66)	134
Merseyside Information Service	182	-	(57)	125
Highway Works	352	-	(249)	103
Collection Fund	691	-	(691)	-
Strategic Asset Review	297	-	(297)	-
Equal Pay Back Pay	150	-	(150)	-
Highway Maintenance Contract	146	-	(146)	-
Local Pay Review	78	-	(78)	-
Other	830	243	(556)	517
	11,022	848	(2,823)	9,047

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.

Housing Benefit

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

There are a number of remaining outstanding claims issues requiring final settlement with the DWP. Changes in the interpretation of legislation and subsidy arrangements may require adjustments to be made to prior years. The Council reserves the right to challenge the reasonableness of any calculations in respect of claw-back.

Public Interest Disclosure Act (PIDA) –Supported Living

The Public Interest Disclosure Act report identified individuals within In-House Supported Living accommodation who had been overcharged for their care. A provision is required as repayment of these charges will be made in 2010-11.

Empty Property

This required for the Councils funding contribution to HOUSED improvements in Craven Street.

Match Funding

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

Local Development Framework

This represents the sum remaining for the implementation of a number of studies that were approved by Cabinet on 15 March 2007 and have been programmed over forthcoming years.

Local Area Agreement (LAA) Network Support

This provision relates to sums set aside to fund the development of the Local Area Agreement. The provision will support both the Authority and voluntary network activities in delivering the Local Area Agreement.

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.

Highways Works

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

Self Insurance – Wirral Council

The Authority self-insures fire damage to its buildings and contents (up to a maximum of £1.5 million in any one year). It also self-insures the first £75,000 of each motor accident (up to a maximum of £250,000 in any one year) and the first £200,000 of each legal liability claim (up to a maximum of £3.6 million for all claims in any one year).

As at 31 March 2010 the Authority held the following provisions and reserves in respect of its liability for these self-insured risks.

	£000
Fire	2,252
Motor	261
Liability	13,353
	15,866

29. DEFERRED CREDITS

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

	2008-09	2009-10
	£000	£000
Receipts for Sale of Former Council Houses	395	268
Outstanding mortgages	154	103
	549	371

30. 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	Movement	Balance
	1.4.2009	in Year	31.3.2010
	£000	£000	£000
Revaluation Reserve	159,003	5,734	164,737
Capital Adjustment Account	75,226	(18,555)	56,671
Available-For-Sale financial instruments	746	(271)	475
Financial Instruments Adjustment Account	(4,258)	134	(4,124)
Useable Capital Receipts	9,472	(425)	9,047
Pensions Reserve	(297,278)	(126,593)	(423,871)
General Fund	8,282	5,476	13,758
Collection Fund Adjustment Account	(337)	398	61
Other Reserves	80,485	13,362	93,847
	31,341	(120,740)	(89,399)

Revaluation Reserve

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

Revaluation gains – any increase in the value of an asset is credited.

Impairment – where there is an impairment loss charged to the Income and Expenditure Account and there are revaluation gains in the Revaluation Reserve for that asset then an amount up to the value of the loss is transferred to the Capital Adjustment Account.

Disposals – any revaluation gains in the Revaluation Reserve for assets disposed of are transferred to the Capital Adjustment Account.

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

	£000
Balance at 1.4.2009	159,003
Revaluation gains	16,143
Impairment losses	(3,463)
Disposals	(833)
Depreciation (difference CV and HC depreciation)	(6,113)
Balance at 31.3.2010	164,737

Capital Adjustment Account:

Store of capital resources set aside to meet past expenditure.

	£000
Balance at 1.4.2009	75,226
Capital receipts used to fund capital expenditure	4,000
Reserves used to fund capital expenditure	624
Minimum Revenue Provision	8,560
Depreciation and impairment	(38,092)
Government grants deferred	3,149
Revenue Expenditure Funded from Capital Under Statute	(1,958)
Asset revaluations	7,917
Asset disposals	(3,200)
Deferred debtor	445
Balance at 31.3.2010	56,671

Available-For-Sale Financial Instruments Reserve

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

	£000
Balance at 1.4.2009	746
Gains realised on sale or maturity	(326)
Gains on revaluation	55
Balance at 31.3.2010	475

Financial Instruments Adjustment Account

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

	£000
Balance at 1.4.2009	(4,258)
Amount that should have been credited to the Income and Expenditure Account without statutory override	134
Balance at 31.3.2010	(4,124)

Useable Capital Receipts

Proceeds of fixed asset sales available to meet future capital investment

	£000
Balance at 1.4.2009	9,472
Receipts from the sale of assets	3,575
Receipts used to fund capital expenditure	(4,000)
Balance at 31.3.2010	9,047

Pensions Reserve

This allows the inclusion of Pensions Liability in the Balance Sheet. See Note 35.

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 Adjustment Account:

The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund. Refer to Collection Fund statements.

Other Reserves	Balance 1.4.2009 £000	Contrib- utions £000	Write Offs or Applied £000	Balance 31.3.2010 £000
Housing Benefit	13,995	2,500	(1,200)	15,295
Insurance Fund	14,075	707	(1,001)	13,781
Working Neighbourhood Fund	5,524	6,255	-	11,779
Schools Balances	9,214	448	(1,235)	8,427
Debt Restructuring and Financing	7,022	919	-	7,941
Local Pay Review	5,490	1,044	(159)	6,375
Connexions Partnership Pension	1,380	3,310	-	4,690
Minimum Revenue Provision	4,400	-	-	4,400
IT/Intranet	1,683	-	(50)	1,633
Supporting People Programme	2,140	-	(508)	1,632
Capital Schemes	2,387	1,019	(2,030)	1,376
Former HRA Contingency	1,149	-	(24)	1,125
Group Repair	703	177	-	880
Strategic Asset Review	-	866	-	866
Dedicated Schools Grant	419	407	(41)	785
Schools Harmonisation	300	300	-	600
Private Finance Initiative - Revenue	1,834	50	(1,464)	420
Heritage Fund	325	95	-	420
Automatic Meter Readers	-	415	-	415
Assistive Technology	-	400	-	400
Matching Fund	374	21	-	395
LAA Reward	-	380	-	380
Schools Contingency	370	-	-	370
One Stop Shop IT Network	373	-	(24)	349
Energy Investment - Street Lighting	310	-	-	310
Primary Care Trust - Physical Activities	300	-	-	300
Sport Centre Contingency	300	-	-	300
Schools Service IT Reserve	204	90	-	294
Summer Term Reserve	280	-	-	280
Structural Maintenance	-	250	-	250
Home Adaptations	233	-	-	233
End of Life Care	-	210	-	210
Youth Service	59	300	(150)	209
Local Development	169	33	-	202
Contact Point	200	-	-	200
Wheelie Bin Replacement	200	-	(64)	136
Children's Care Services Review	223	74	(223)	74
Highway Maintenance	236	-	(236)	-
Other	4,614	3,121	(1,620)	6,115
	80,485	23,391	(10,029)	93,847

The major reserves are maintained for the following purposes:-

Housing Benefit

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

Insurance Fund

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

Working Neighbourhoods Fund

Working Wirral resources to commission activity to deliver the Investment Strategy priorities of tackling worklessness, improving skills levels and increasing enterprise, business growth and investment. Significant requests for funding were received, requiring prioritisation of the applications which was finalised in October 2008.

Schools Balances

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

	£000
Schools Underspending	10,118
Schools Overspending	(1,691)
	8,427

Debt Restructuring and Financing

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

Local Pay Review

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

Connexions Partnership Pension

The Council, along with other Councils on Merseyside has agreed to commission Greater Merseyside Connexions Partnership for the delivery of information services to young people and provide a financial guarantee for the potential unfunded pension liabilities. The Partnership is an admitted body of the Merseyside Pension Fund and the Wirral share of the guarantee has been assessed as £4.690 million (apportioned on population across Merseyside).

Minimum Revenue Provision (MRP)

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

IT/Intranet

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

Supporting People Programme

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

Schools Capital Schemes

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

Former HRA Contingency

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

Group Repair

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

Strategic Asset Review

Reserve established to support the implementation of the strategic asset review and includes items funding for items such as Guinea Gap and capacity building activities.

Dedicated Schools Grant

The additional Dedicated Schools Grant that was received less the 2009-10 overspend on the schools budget. This will be included in the 2010-11 formula distribution to schools.

Schools Harmonisation

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

Private Finance Initiative (PFI) Revenue

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

Heritage Fund

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

Automatic Meter Readers

Reserve established to cover the running costs of installation and maintenance of automatic meter readers in Wirral schools. This initiative to introduce meters in 2010-11 is to assist schools in the implementation of the Council's Carbon Reduction Commitment.

Assistive Technology

To cover the future costs of assistive technology to help people maintain their independence.

Matching Fund

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

Local Area Agreement Reward

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

Schools Contingency

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

One Stop Shop IT Network

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

Energy Investment – Street Lighting

This sum relates to the balance from a policy option to pilot the implementation of an energy efficient Street Lighting Programme in 2010-11.

Primary Care Trust – Physical Activities

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

Sports Centre Contingency

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

Schools Service IT

To support the service in the event of demands for IT support by schools changing in future years.

Summer Term

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

Structural Maintenance

Funding agreed by Cabinet to support the 2010-11 Structural Maintenance programme.

Home Adaptations

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

End of Life Care

To support the training and education for staff, predominately domicillary care staff, in end of life care.

Youth Service

This represents the balance of the assimilation costs of the Wirral Youth Theatre.

Local Development

To support the costs of forward planning over the next couple of years and includes the drafting of the local development framework. A proportion of this sum will fund capital expenditure.

Contact Point

The reserve is the carrying forward of part of the Standards Fund grant from 2007-08 to fund the future Contact Point programme.

31. INSURANCE FUND

2008-09		2009-10	
£000		£000	£000
19,309	Opening Balance		18,322
	Add:		
5,327	Premium received - current	3,513	
174	Investment Income	-	3,513
	Less:		
1,407	Claims paid	1,302	
5,081	Transfer to Revenue	2,471	3,773
18,322	Closing Balance		18,062

The closing balance consists of: -

2008-09		2009-10
£000		£000
4,248	Provisions	4,282
14,074	Reserves	13,780
18,322		18,062
746	Available-for-sale reserve	0
19,068	Total Equity	18,062

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

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

The value and income of external investments attributed to the Insurance Fund were previously declared within the Insurance Fund notes. During 2009-10 these investments have been centralised and are now managed and reported within the Treasury Management function alongside all other authority investments.

32. 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.

Children and Young People	Balance 1.4.2009 £000	Income £000	Outlay £000	Balance 31.3.2010 £000
EF Callister to promote youth development	372,822	-	-	372,822
Stitt Scholarship for educational achievement	36,298	182	-	36,480
RJ Russell Prize for educational achievement	85,288	427	-	85,715
Criminal injuries transferred from Social Services	41,999	-	8,108	33,891
Other funds	90,220	12,428	1	102,647
	626,627	13,037	8,109	631,555

The fund assets are as follows:-

	Balance 1.4.2009 £	Balance 31.3.2010 £
Property	372,822	372,822
Investments:-		
Internal	238,110	238,014
Equities	6,922	6,922
Cash	8,773	13,797
	626,627	631,555

33. PENSIONS

As part of the terms and conditions of employment of its employees, the Authority offers retirement benefits. Although benefits are not actually payable until employees retire, the Authority has a commitment to disclose the payments that need to be made at the time that employees earn their future entitlement.

The Authority participates in two pension schemes:

Teachers:

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

In 2009-10 the Council paid £13.9 million to the Teachers Pensions Agency in respect of teachers' pension costs, based on a contribution rate of 14.1%. The figures for 2008-09 were £13.5 million and 14.1%.

The scheme is a defined benefit scheme. Although the Scheme is unfunded, Teachers Pensions use a notional fund as the basis for calculating the employer's contribution rate paid by local education authorities. However, it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts it is, therefore, accounted for on the same basis as a defined contribution scheme.

Additionally, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2009-10 these amounted to £0.1 million representing 0.1% of pensionable pay.

Other Employees:

For other employees the Council operates a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In 2009-10 the Council paid an employer's contribution of £27.7 million into the Pensions Fund representing a contribution rate of 17.3% of pensionable pay. The figures for 2008-09 were £26.6 million and 16.9%.

The latest actuarial report (31 March 2007) has indicated that the liabilities of the Fund exceed the assets at that date by £1,063 million, giving a funding level of 80%. The recommended employer contribution rate for 2010-11 is 17.6%. This is calculated to correct any imbalance between the assets of the Fund and the funding target.

Transactions Relating to Retirement Benefits

The cost of retirement benefits in the Net Cost of Services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable each year, so that the real cost 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 the Statement of Movement in the General Fund Balance during the year:

	Local Government Scheme		Teachers Pension Scheme	
	2008-09 £000	2009-10 £000	2008-09 £000	2009-10 £000
Income and Expenditure Account:				
Net Cost of Services:				
Current Service cost	24,547	16,162	-	-
Past Service costs	78	25	-	-
Curtailment costs	591	1,145	508	415
Net operating Expenditure:				
Interest cost	53,872	53,105	2,120	2,093
Expected return	(38,495)	(30,310)	-	-
	40,593	40,127	2,628	2,508
Statement of Movement in the General Fund Balance:				
Reversal of net charges made for retirement benefits in accordance with FRS17	(40,593)	(40,127)	(2,628)	(2,508)
Amount charged against the General Fund Balance :				
Employers contributions payable to scheme	26,624	27,720	3,005	3,082

In addition to the gains and losses included in the Income and Expenditure Account, actuarial losses of £114,760,000 (£50,140,000 gain in 2008-09) were included in the Statement of Total Recognised Gains and Losses.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities - Local Government Scheme		Unfunded Liabilities - Teachers Pension Scheme	
	2008-09 £000	2009-10 £000	2008-09 £000	2009-10 £000
Liabilities at 1 April	(880,347)	(751,712)	(36,254)	(31,022)
Current Service cost	(24,547)	(16,162)	-	-
Interest cost	(53,872)	(53,105)	(2,120)	(2,093)
Actuarial gains and (losses)	188,784	(241,987)	4,855	(5,574)
Past service costs	(78)	(25)	-	-
Contributions by scheme participants	(9,003)	(9,282)	-	-
Curtailments	(591)	(1,145)	(508)	(415)
Benefits paid	27,942	32,953	3,005	3,082
Liabilities at 31 March	(751,712)	(1,040,465)	(31,022)	(36,022)

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. The Merseyside Pension Fund liabilities have been assessed by William M. Mercer, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme	2008-09	2009-10
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.50%	7.50%
Government Bonds	4.00%	4.50%
Other Bonds	6.00%	5.20%
Property	6.50%	6.50%
Cash/Current assets	0.50%	0.50%
Other	7.50%	7.50%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20	20
Women	23	23
Longevity at 65 for future pensioners:		
Men	21	21
Women	24	24
Rate of inflation	3.30%	3.30%
Rate of increase in salaries	4.55%	4.55%
Rate of increase in pensions	3.30%	3.30%
Rate for discounting scheme liabilities	7.10%	5.60%
Demographic assumptions:-		
One half of members take the maximum lump sum commutation, others take 3/80ths.		

The Local Government Pension Schemes assets consist of the following categories, by proportion of the total assets held:

	31.3.2009	31.3.2010
	%	%
Equity Investments	53.6	63.6
Government Bonds	17.7	12.1
Other Bonds	4.8	6.6
Property	9.3	6.3
Cash/Current assets	4.2	2.6
Other	10.4	8.8
	100.0	100.0

Reconciliation of fair value of the scheme assets:

	2008-09	2009-10
	£000	£000
Assets at 1 April	582,775	485,456
Expected rate of return	38,495	30,310
Actuarial gains and losses	(143,499)	132,801
Employer contributions	26,624	27,720
Contributions by scheme participants	9,003	9,282
Benefits paid	(27,942)	(32,953)
At 31 March	485,456	652,616

The actual return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £163,111,000. (The comparable figure for 2008-09 was a loss of £105,004,000.)

Scheme history

	Estimated Liabilities	Estimated Assets	Net Liability
	£000	£000	£000
Local Government Scheme			
31/03/2008	(880,347)	582,775	(297,572)
31/03/2009	(751,712)	485,456	(266,256)
31/03/2010	(1,040,465)	652,616	(387,849)
Teachers Pension Scheme			
31/03/2008	(36,254)	-	(36,254)
31/03/2009	(31,022)	-	(31,022)
31/03/2010	(36,022)	-	(36,022)
Totals			
31/03/2008	(916,601)	582,775	(333,826)
31/03/2009	(782,734)	485,456	(297,278)
31/03/2010	(1,076,487)	652,616	(423,871)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The net liability of £423.9 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in negative equity of £89.4 million.

Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy as the deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the Scheme actuary.

34. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance on 24 June 2010. Accordingly, this represents the date up to which events after the Balance Sheet date have been considered.

35. CONTINGENT ASSETS AND LIABILITIES

Greater Merseyside Connexions Partnership

The Council, along with other Councils on Merseyside has agreed to commission the Partnership for the delivery of information services to young people in the period 2008-2011. The Council has agreed to provide a financial guarantee for the potential unfunded liabilities of the Pension Fund up to 31 December 2009. The Partnership is an admitted body of the Merseyside Pension Fund and Wirral's share of the guarantee has been assessed as £4.69 million (apportioned on population across Merseyside).

Wirral Partnership Homes (WPH)

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

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

Pay Review

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

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

Development and Investment

A potential liability exists if the New Brighton Neptune development does not proceed as planned as a consequence of funders withdrawing their financial support. There would be a financial consequence to the Council if Phase 1 is not completed and Phase 2 not proceeded. This would be funded from the Council's own resources.

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

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

	£000	£000
(Surplus) / Deficit on Income and Expenditure (I and E) Account		21,103
<i>Adjusted for non cash items in I and E Account:</i>		
Depreciation and Impairment	(38,092)	
Government Grants Deferred amortisation	3,149	
Movement in provision for bad debt	(3,051)	
Non cash items relating to the disposal of fixed assets	(917)	
Non cash items relating to the disposal of investments	144	
Increase in provision charged to service	(848)	
Provisions applied / written back	2,823	
Deferred debt redemption premium	(114)	
Charges for retirement benefits accordance with FRS17	(42,635)	
Other non-cash movement	(17)	
		(79,558)
<i>Other Adjustments</i>		
Actual amount paid to Pension Fund	30,802	
Collection fund net movement - Billing Authorities only	(398)	
		30,404
<i>Movement in working capital :</i>		
Increase / (decrease) in long and short term debtors	(527)	
(Increase) / decrease in long and short term creditors	3,711	
Increase / (decrease) in stock / WIP	(40)	
		3,144
<i>Adjust for items which appear elsewhere in the statement</i>		
Servicing of Finance	(16,642)	
Returns on investment	4,055	
Deferred Charges / REFCUS	(20,319)	
Capital Grant funding of deferred charges / REFCUS	17,492	
		(15,414)
Net Cash Flow From Revenue Activities		(40,321)

37. RECONCILIATION OF THE MOVEMENT IN CASH TO MOVEMENT IN NET DEBT

	Balance 1 April 2009 £000	Cash Flow £000	Non- cash flow £000	Balance 31 March 2010 £000
Cash in hand	5,360	2,563	-	7,923
Short term borrowing	(25,973)	25,836	(19,235)	(19,372)
Long term borrowing	(270,222)	(10,000)	19,114	(261,108)
Short term investments	74,332	21,014	-	95,346
	(216,503)	39,413	(121)	(177,211)

The Accounting Standard FRS1 defines net borrowing as borrowing less liquid resources. This definition excludes debtors and creditors because, whilst 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.

38. 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-term investments.

39. ANALYSIS OF GRANTS

The following tables detail the major sources of grant income for 2009-10.

Capital Grants	2009-10 £000
Standard Funds	39,506
Housing Market Renewal Initiative	11,085
Regional Housing Pot Funding	5,241
Sure Start, Early Years, Childcare	3,756
Infrastructure	3,254
Extra Care Grant	2,730
Regeneration	1,761
Disabled Facilities Grant	960
Other	628
Total	68,921

Revenue Grants	2009-10 £000
Dedicated Schools Grant	188,116
Housing Benefit & Council Tax Benefit Subsidy	155,224
National Non-Domestic Rates	124,094
Area Based Grant	31,059
Standard Funds	30,107
Revenue Support Grant	28,643
6th Form	21,508
Schools Standard Grant	10,527
Supporting People	10,341
Sure Start, Early Years, Childcare	10,332
Private Finance Initiative	5,472
Social Care Reform	1,520
Local Authority Business Growth Incentive	261
Total	617,204

The above figures are the major sources of grant income for 2009-10.

40. RECONCILIATION OF FINANCING AND MANAGEMENT OF LIQUID RESOURCES

	Short term Investments £000	Long term borrowing £000	Short term borrowing £000
Balance at 1 April 2009	74,332	(270,222)	(25,973)
Cash flow items:			
Loans raised	-	(10,000)	-
Loans repaid	-	-	25,836
Investments made / (repaid)	21,014	-	-
Non cash item	-	19,114	(19,235)
Balance at 31 March 2010	95,346	(261,108)	(19,372)

41. NON CASH TRANSACTIONS/FURTHER ANALYSIS TO HELP INTERPRETATION

With reference to Notes 36 and 37 the non cash transaction relates to a combination of:-

- The adjustment required to reclassify any long term loans due to be repaid during the next financial year as short term debt.
- The adjustment required to reflect borrowings at amortised cost.

Additional Financial Statements

- **Collection Fund**

ADDITIONAL FINANCIAL STATEMENTS

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

2008-09		2009-10	
£000	Income	£000	£000
118,186	Council Tax (Note 2)	121,572	
	Transfers from General Fund:-		
26,482	Council Tax Benefits	29,761	
158	Pensioner Discounts	531	
62,299	Income Collectable from Business Rate Payers (Note 3)	59,202	
591	Contribution from Preceptors to previous years estimated deficit (Note 5)	800	
207,716			211,866
	Expenditure		
143,392	Precepts from District, Police and Fire (Note 4)	150,175	
	Business Rate		
61,943	- Payment to National Pool (Note 3)	58,850	
356	- Costs of Collection	352	
	Bad and Doubtful Debts		
998	- Provisions	2,026	
-	Contribution to Preceptors from previous years estimated surplus	-	
206,689			211,403
1,027	Movement on Collection Fund Balance		463

COLLECTION FUND BALANCE

2008-09		2009-10
£000		£000
(1,419)	Fund Balance b/f 1 April	(392)
1,027	Movement in year	463
(392)	Fund Balance c/f 31 March	71

In accordance with revised accounting practice the Collection Fund balance has been allocated in 2009-10 to individual preceptors, which includes Wirral Council.

NOTES TO THE ADDITIONAL FINANCIAL STATEMENTS

COLLECTION FUND

1. GENERAL

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

Changes to accounting practice have been introduced for the 2009-10 accounts relating to the Collection Fund. These changes impact mainly upon the Main Financial Statements of the Authority rather than the Collection Fund Income and Expenditure Account. Where appropriate, the changes are referred to in the notes below.

2. INCOME FROM COUNCIL TAX

The Authority set a Council Tax in 2009-10 for each band of dwelling as shown below:

Band	£	Band	£	Band	£	Band	£
A	960.11	C	1,280.15	E	1,760.20	G	2,400.27
B	1,120.12	D	1,440.16	F	2,080.23	H	2,880.32

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

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

Band	No. of Properties	Less Discounts	Effective Properties	Band Ratio	Band D Equivalent
A	58,623	11,258.25	47,364.75	6/9	31,576.50
B	30,745	3,969.00	26,776.00	7/9	20,825.80
C	27,055	2,783.80	24,271.20	8/9	21,574.40
D	13,007	1,197.00	11,810.00	1	11,810.00
E	8,040	657.50	7,382.50	11/9	9,023.10
F	4,290	317.25	3,972.75	13/9	5,738.40
G	3,108	219.50	2,888.50	15/9	4,814.20
H	264	42.50	221.50	18/9	443.00
	145,132	20,444.80	124,687.20		105,805.40
Add Government Dwellings					4.00
Add Band A Disabled Relief Band D					54.00
Total					105,863.40

After a 1.5% provision for uncollectables, the overall tax base for the Authority totalled 104,276.

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

	2008-09	2009-10
	£000	£000
Cash Payable	118,186	121,572
Council Tax Benefit	26,482	29,761
Pensioner Discounts	158	531
	144,826	151,864

3. INCOME FROM BUSINESS RATE PAYERS

The Authority collects Non-Domestic Rates for its area. This is based on local estimated rateable values. The estimated rateable value is split between general and small business. For 2009-10, the total rateable value was £155,969,951; of this, £142,380,386, related to general, charged at £0.485. Total small business was £13,589,565, charged at £0.481. This gave an opening charge of £75.59 million.

The total amount less certain relief and costs of collection is paid to a central pool managed by the Central Government. The amount paid over to the central pool in 2009-10 was £58.9 million. 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 2010 was £151,533,601.

Changes in accounting practice introduced for the 2009-10 accounts requires that NNDR is accounted for within the authority Balance Sheet as an agency arrangement rather than maintaining a range of individual balance sheet accounts. The balances on NNDR accounts are consolidated into either a debtor (monies owed to the authority by central government) or a creditor (monies owed by the authority to central government). For comparison purposes the 2008-09 accounts have been restated to reflect the agency arrangement.

4. PRECEPTS

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

	2008-09	2009-10
	£000	£000
Wirral Council	123,217	129,008
Merseyside Fire and Civil Defence Authority	6,247	6,504
Merseyside Police Authority	13,928	14,663
	143,392	150,175

The Income from Council Tax figure within the Council Income and Expenditure Account consists of the above Wirral Council precept and an adjustment reflecting the impact of any accrued deficit /surplus on the Collection Fund. This adjustment resulted in the Income from Council Tax in 2009-10 being £128,719,000.

5. CONTRIBUTION FROM/TO COLLECTION FUND

A year-end surplus/deficit on the Council Tax element of the Collection Fund is only physically distributed/recovered between the billing and precepting authorities where an estimated surplus/deficit has already been notified to those authorities. For 2008-09 the deficit notified to the precepting authorities in respect of 2008-09 and distributed in 2009-10 was: -

	2009-10
	£000
Wirral Council	687,440
Merseyside Fire and Civil Defence Authority	34,880
Merseyside Police Authority	77,680
	800,000

6. ALLOCATION OF YEAR END BALANCES

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

Payable from:	£000
Wirral Council	61
Merseyside Fire and Civil Defence Authority	7
Merseyside Police Authority	3
	71

The share of any Collection Fund surplus or deficit is reflected within the precepting organisation's 2009-10 accounts. Wirral Council's element is included within the Income from Council Tax line within the Income and Expenditure Account. The 2008-09 accounts have been restated on the same basis to allow comparison between years.

Merseyside Pension Fund Accounts

MERSEYSIDE PENSION FUND ACCOUNTS

FINANCIAL STATEMENTS

FUND ACCOUNT For the year ended 31 March 2010	Note	2009 £000	2010 £000
Contributions and Benefits:			
Contributions receivable	3	245,976	246,766
Transfers in		18,436	21,932
		264,412	268,698
Benefits payable:			
Benefits payable	4	212,476	233,046
Leavers	5	15,121	19,658
Administration expenses		3,860	3,965
		231,457	256,669
Net additions from dealings with members		32,955	12,029
Return on Investments:			
Investment Income	6	71,212	81,531
Change in market value of investments	7	(833,021)	1,080,503
Investment management expenses	8	(4,982)	(9,745)
Net return on Investments		(766,791)	1,152,289
Net increase/(decrease) in the Fund during the year		(733,836)	1,164,318
Net Assets of the Fund start of the year		4,255,332	3,521,496
Net Assets of the Fund end of the year		3,521,496	4,685,814

NET ASSETS STATEMENT For the year ended 31 March 2010	Note	2009 £000	2010 £000
Investments			
Other Investments		264,580	317,250
Equities		1,253,028	1,872,730
Managed or Unitised Funds		1,668,255	2,155,985
Derivative Contracts		130	33
Properties		199,535	210,225
Short Term Deposits		74,089	56,207
Other Investment Balances		41,453	57,286
		3,501,070	4,669,716
Current Assets	9	30,412	28,624
Current Liabilities	9	(9,986)	(12,526)
Net Assets of the Fund at 31 March		3,521,496	4,685,814

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) May 2007.

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

2. ACCOUNTING POLICIES

Basis of Preparation

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

Valuation of Investments

Investments are stated at value. For listed securities the stock exchange values are used. Such values are shown at bid price, i.e. the price which the Fund would have obtained should the securities have been sold at the year end. For this purpose unlisted investments, other than direct property are included at manager's valuation. Valuations of UK private equity are consistent with the guidelines and conventions of the British Venture Capital Association. Properties have been valued independently by Colliers Erdman Lewis, Chartered Surveyors as at 31 March 2010.

Translation of Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at rates ruling at the year end. Foreign income received during the year is translated at the rate ruling at the date of receipt. All resulting exchange adjustments are included in the revenue account.

Investment Income

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

Rental Income

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

Contributions and Benefits

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

Transfers to Other Schemes

Transfer payments relate to those early leavers whose transfers have been paid during the year plus an accrual for future payments in respect of members moving their service to other schemes under bulk transfer arrangements. One bulk transfer into MPF is included in 2009-10, for which a cash payment will be received.

Investment Management Expenses

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

Prior Year Adjustments

There are no prior period adjustments in the accounts for 2009-10.

3. CONTRIBUTIONS RECEIVABLE

	2009 £000	2010 £000
Employers		
Normal	158,778	162,023
Augmentation	11,993	12,760
Deficit Funding	15,568	8,457
Employees		
Normal	59,637	63,526
	245,976	246,766
Relating to:		
Administering Authority	36,524	37,705
Statutory Bodies	167,958	174,174
Admission Bodies	41,494	34,887
	245,976	246,766

Income in respect of Augmentation includes the re-imburement by employers on a monthly basis in respect of the enhanced elements of the monthly pensioners' payroll. There are three elements of deficit funding, one-off payments, nil in 2009-10, (£8 million in 2008-09), regular additional contributions and the recovery of specific early retirement costs (pension strain).

4. BENEFITS PAYABLE

	2009 £000	2010 £000
Pensions	173,545	185,971
Lump sum retiring allowances	35,387	42,985
Lump sum death benefits	3,544	4,090
	212,476	233,046
Relating to:		
Administering Authority	29,784	34,342
Statutory Bodies	156,773	168,123
Admission Bodies	25,919	30,581
	212,476	233,046

5. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2009 £000	2010 £000
Refunds to members leaving service	21	41
Payment for members joining State scheme	25	2
Income for members from State scheme	(29)	(7)
Individual transfers to other schemes	15,104	19,622
	15,121	19,658

6. INVESTMENT INCOME

	2009 £000	2010 £000
Fixed interest securities	-	-
Index-linked securities	-	-
Dividends from Equities, Managed and Unitised Funds	50,297	63,112
Net rents from properties	16,419	16,115
Interest on deposits	3,927	1,279
Other	569	1,025
	71,212	81,531

As at 31 March 2010, £88.4 million of stock was on loan to market makers, which was covered by non-cash collateral totalling £93.6 million, giving a margin of 5.7%. Income from stock lending is included within "Other" Investment Income.

The figure of "Dividends from Equities, Managed and Unitised Funds" includes recoverable taxation of £1.27 million, (2008-09 £0.65 million) plus income from profits from associate and joint ventures of £1.7 million (2008-09 £7.41 million). Irrecoverable taxation amounted to £2.35 million (2008-09 £2.64 million).

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, but is not accruing for future receipt of such income within these accounts. In 2009-10 £225,000 was recovered, gross of fees.

7. INVESTMENTS

	Market Value 31.3.2009 £000	Purchases at cost & Derivative Payments £000	Sale Proceeds & Derivative Receipts £000	Change in Market* Value £000	Market Value 31.3.2010 £000
Equities	1,253,028	779,192	741,079	581,589	1,872,730
Managed & Unitised Funds	1,668,255	389,252	360,684	459,162	2,155,985
Other	264,580	89,988	67,082	29,764	317,250
Derivative Contracts	130	1,386	1,690	207	33
Properties	199,535	-	2	10,692	210,225
	3,385,528	1,259,818	1,170,537	1,081,414	4,556,223
Short term deposits	74,089			233	56,207
Other investment balances	41,453			(1,144)	57,286
	3,501,070			1,080,503	4,669,716

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

	2009 £000	2010 £000
Equities (segregated holdings)		
UK Quoted	550,034	802,581
Overseas Quoted	702,994	1,070,149
	1,253,028	1,872,730
Managed* and Unitised Funds		
UK Fixed Interest	172,351	-
UK Corporate Bonds	156,438	-
Overseas Fixed Interest	-	-
Unconstrained Bonds	-	359,907
Index-Linked Securities	442,823	477,650
UK Equities	417,468	644,224
Overseas Equities	274,907	396,049
Unlisted Securities (Private Equity)	145,314	189,895
Property Unit trusts	58,954	88,260
	1,668,255	2,155,985

*All fixed interest/bond holdings are in managed and unitised. Other than Corporate Bonds, other fixed interest holdings are public sector securities.

			2009	2010
			£000	£000
Derivative Contracts			130	33
Type of Derivative Futures	Expiration	Economic Exposure Value		Market Value
DJ Euro STOXX 50 Index Futures	Jun-10	330		33

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

Futures dealing requires the posting of margin. Initial margin must be posted before you can trade. Variation margin is the mark-to-market value of the Futures contracts you have. Variation margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral is held in Euro currency and the Sterling equivalent amount is £33,092.

	2009	2010
	£000	£000
Other Investments	264,580	317,250
UK properties		
Freehold	182,038	190,574
Leasehold	17,497	19,651
	199,535	210,225
Short term Deposits	74,089	56,207

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

	2009	2010
	£000	£000
Other investment balances		
Amounts due from brokers	858	33
Amounts due to Stockbrokers	(22,413)	(5,607)
Amounts due from Stockbrokers	19,171	6,636
Outstanding dividend entitlements and recoverable withholding tax	6,110	12,796
Cash deposits	37,727	43,428
	41,453	57,286

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

Disclosure note re Transactions Costs

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties. They have been added to purchases and netted against sales proceeds as appropriate. Transaction costs during the year amounted to £1.966 million. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the Fund.

Disclosure Note Icelandic Deposits

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

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

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

Glitnir Bank hf

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

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

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

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

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

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

Heritable

Heritable Bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009 outlined that the return to creditors was projected to be 80p in the £. To date the Fund has received three dividend payments totalling 34.98 pence in the £ which have exceeded the levels originally projected. The latest creditor progress report, dated January 2010 outlined that the return to creditors was projected to be 85p in the £. The Fund has therefore decided to decrease the impairment loss based on it recovering 85p in the £. In calculating the impairment the Fund has made the following assumptions re timing and recoveries:

June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2011	5%
March 2011	5%	June 2011	5%
June 2011	5%	September 2011	5%

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

The impairment loss recognised in the Fund Account in 2009-10, £475,532 has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the Fund until monies are recovered.

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

8. INVESTMENT MANAGEMENT EXPENSES

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

9. CURRENT ASSETS AND LIABILITIES

	2009		2010	
	£000	£000	£000	£000
Assets				
Contributions due	20,885		17,077	
Accrued and outstanding investment income	847		234	
Transfer values receivable	2,357		1,700	
Cash at Bank	725		724	
Sundries	6,071		9,039	
Provision for bad debts	(473)		(150)	
		30,412		28,624
Liabilities				
Transfer values payable	-		-	
Provisions	541		596	
Miscellaneous	9,445		11,930	
		9,986		12,526
Total Other Assets less Liabilities		20,426		16,098

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.

“Provision for Bad Debts” is now separately reported and relates to property rental income.

Included in 'Miscellaneous Liabilities' is an estimated £1.649 million of unpaid benefits.

10. COMMITMENTS

Commitments for investments amounted to £194.017 million as at 31 March 2010.

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 £3.838 million (2009 £3.511 million). Such charges principally relate to staffing required to maintain the pension service.

A specific declaration has been received from Pension Committee Members and principal officers regarding membership of, and transactions with, such persons or their related parties. A number of Members act as Board members of particular scheme employers, who maintain a conventional employer relationship with the Fund. Some principal officers act in an advisory capacity on investment bodies in which the Fund has an interest. No related party transactions have been declared.

12. SUMMARY OF MANAGERS' PORTFOLIO VALUES AT 31 MARCH 2010

Externally Managed	£m	%
J P Morgan	177	3.8
UBS	381	8.2
Nomura	647	13.9
Schroders	177	3.8
Legal and General (Pooled Assets)	941	20.1
Legal and General (Bonds)	183	3.9
Unigestion	138	3.0
M and G	146	3.1
T T International	139	3.0
Blackrock	143	3.1
Newton	122	2.6
	3,194	68.4
Internally Managed	1,476	31.6
	4,670	100.0

These values now include cash with managers awaiting investment, sums due to and from stockbrokers and accrued investment income.

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

The Scheme providers are Equitable Life, Standard Life and Prudential. Individual members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year. As requested by the Local Authority Statement of Recommended Practice an aggregate breakdown between contributions, repayments and change in market value is also shown.

The aggregate amounts of AVC investments are as follows:

	2009	2010
	£000	£000
Equitable Life	3,076	3,010
Standard Life	5,833	6,823
Prudential	3,864	4,400
	12,773	14,233
Changes during the year were as follows:		
Contributions		1,577
Repayments		(1,879)
Change in market values		1,762

14. FINANCIAL PERFORMANCE

The Pension Fund is administered under a budget that is approved by Pensions Committee each January. That budget is reviewed and, if appropriate, revised the following January, based on the known and anticipated pattern of expenditure and market movements. In January 2009 a budget of £11.7 million was approved for the financial year 2009-10. This was revised in January 2010 to £12.4 million.

The two main elements of the budget were salaries and related costs of £2.8 million and investment management fees of £6.9 million. The final accounts for the year ended 31 March 2010 indicate expenditure levels of £3.96 million on administrative costs overall and £9.75 million on all investment management expenses. Investment management expenses include, as its main element, external managers' fees, but also cover custodian fees, advisors fees and performance measurement fees. Fees of external managers and the Fund's custodian are on an ad valorem basis, and will therefore vary as the size of each portfolio changes. The overspend on external manager fees reflects the significant increase in the value of the Fund during the year. In addition, in the final accounts, the salaries and related expenses of the internal investment team are, in accordance with the Pensions Statement of Recommended Practice (the SORP), shown within investment management expenses.

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

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2009-10 no such charges were levied.

15. BACKGROUND INFORMATION

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

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2009-10 included 10 councillors from Wirral Council, the Administering authority, plus one councillor from each of the 4 other Borough Councils, and one member representing the other employers in the scheme. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by the Investment Monitoring Working Party, which includes an external adviser and a consultant.

The Pensions Committee annually reviews its Statement of Investment Principles. The principles ensure that the Fund's investments would continue to be determined by all relevant considerations including the Council's fiduciary duty to employing bodies and

the Council taxpayer, rate of return, risk, environmental, social and governance considerations rather than a blanket policy of disinvestment from any specific industry or sector. The latest review was in March 2010, and is available on the Fund's website merseysidepensionfund.org.uk

Under the LGPS Regulations, employer contributions are calculated by the Fund's actuary, having regards to the assumptions and methodology set out in the Fund's Funding Strategy Statement (FSS). The most recent Triennial Valuation by the actuary was as at 31 March 2007. The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The FSS specifies a maximum period for achieving full funding of 25 years.

The funding method adopted is the Projected Unit Method, which implicitly allows for new entrants replacing leavers.

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

	31-Mar-2004	31-Mar-2007
Long-dated gilt yield	4.60%	4.40%
Long-dated index-linked gilt yield	1.80%	1.30%
Market expectation for inflation (long term)	2.80%	3.10%

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

	2007 Funding Target
Investment Return pre-retirement	6.40%
Investment Return post-retirement	5.40%
Salary increases	4.35%
Pension increases in payment	3.10%
Non-retired members mortality	Pension Annuity 92 Medium Cohort Year of Birth tables + 2 years
Retired members mortality	Pension Annuity 92 Medium Cohort Year of Birth tables + 2 years

Scheme Employers With Active Members

Scheduled Bodies

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

Admission Bodies

Age UK - Liverpool
Arriva North West
Arvato Government Services
Association of Police Authorities
Balfour Beatty Workplace Ltd
Beechwood and Ballantyne Housing Association
Beechwood Educare Centre
Berrybridge Housing Ltd
Birkenhead Citizens Advice Bureau
Birkenhead Market Services Ltd
Birkenhead School (2002)
Blue Coat School
Burton Manor Residential College
Capita Symonds (Sefton)

Catholic Children's Society
CDS Housing
Cobalt Housing Ltd
COLAS
Care Quality Commission
Compass (Scolarest) Liverpool Schools
Compass (Scolarest) Wirral Schools
Comtechsa Limited
Enterprise Liverpool Cleansing
Enterprise (Liverpool Highways) Ltd
Enterprise-Liverpool Limited
Enterprise Liverpool Neighbourhood Grounds
Geraud Markets Liverpool Ltd
Glendale (Liverpool Parks Services) Ltd
Glenvale Transport Ltd/Stagecoach.
Greater Hornby Homes
Greater Merseyside Connexions
Helena Partnerships Ltd.
Higher Education European Funding Services Ltd.
Hochtief Liverpool Schools
Hochtief Wirral Schools
Kingswood Colomendy Ltd.
Knowsley Housing Trust
LACORS
Lairdside Communities Trust
Lee Valley Housing Association Ltd
Liberata (UK) Ltd.
Liverpool Association for the Disabled
Liverpool Church of England Council for Social Aid
Liverpool Citizens Advice Bureau
Liverpool Hope University
Liverpool Housing Trust
Liverpool Mutual Homes Ltd.
Liverpool Vision Limited
Local Government Association
Merseyside Lieutenancy
Merseyside Society for the Deaf
Merseyside Welfare Rights
Merseyside Youth Association
Mott Macdonald (M.I.S.)
Mouchel (2020 Liverpool/Parkman)
Mouchel (2020 Knowsley Ltd)
Netherley Citizens Advice Bureau
North Huyton New Deal New Future
North Liverpool Citizens Advice Bureau
Novas Group
Nugent Care
One Vision Housing Ltd.
Partners Credit Union
Sefton Education Business Partnership
Sefton New Directions Ltd.

South Liverpool Housing Ltd
Southern Neighbourhood Council
Taylor Shaw Catering (St Wilfred's RC School)
Taylor Shaw New Heys School
The Port Sunlight Village Trust
University of Liverpool
Upton Hall Convent
Vauxhall Neighbourhood Council
Village Housing Association Ltd
Wavertree Citizens Advice Bureau
Welsh Local Government Association
Wirral Autistic Society
Wirral Council Voluntary Service
Wirral Partnership Homes Ltd

Glossary of Financial Terms

GLOSSARY OF FINANCIAL TERMS

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

ACCOUNTING POLICIES

Define the process whereby transactions and other events are reflected in the financial statements.

ACCRUALS

Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARIAL GAINS AND LOSSES

Changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made of the last valuation (experience gains or losses)
- The actuarial assumptions have changed.

AMORTISATION

Amortisation is the equivalent of depreciation for intangible assets.

AREA BASED GRANT

This is a Government Grant to support Local Authority services in general. It is allocated according to specific policy criteria. A non-ring fenced grant the Council is allowed to spend it to support priorities in their area.

AUDIT COMMISSION

Auditors employed to independently audit the accounts of Local Authorities.

BUDGET

Statement of spending plans for the year.

BUSINESS RATES

See Non-Domestic Rates

CAPITAL CHARGE

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

This Institute produces standards and codes of practice that must be followed in preparing the Council's financial statements.

CODE OF PRACTICE

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

CREDITORS

Organisations and individuals to whom the Council owes money.

CURRENT LIABILITY

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

CURRENT SERVICE COST (PENSIONS)

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

CURTAILMENT

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

DEBTORS

Organisations and individuals who owe money to the Council.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme's 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. It will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATION

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

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

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

FAIR VALUE

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

FIXED ASSET

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

FRS17

FRS17 is Financial Reporting Standard 17, the Accounting for Retirement Benefits. The Standard, requires the Council to show its outstanding liability to the Pension Fund in its accounts rather than just the payments made into the Pension Fund in the year.

GENERAL FUND

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

GOVERNMENT GRANTS

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE FIXED ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

INVESTMENTS (NON-PENSION FUND)

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

INVESTMENT PROPERTIES

Interest in land and/or buildings:

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

LOCAL AREA AGREEMENT (LAA)

LAAs set out the priorities for a local area agreed between Central Government and a local area (the Local Authority and Local Strategic Partnership) and other key partners at the local level.

MINIMUM REVENUE PROVISION (MRP)

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

NATIONAL NON-DOMESTIC RATES (NNDR)

Another name for non-domestic rates.

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NET EXPENDITURE

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

NET REALISABLE VALUE

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

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATIONAL ASSETS

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

PAST SERVICE COST/GAIN

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

POST BALANCE SHEET EVENT

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

PRECEPT

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

PRIOR YEAR ADJUSTMENTS

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

PROJECTED UNIT METHOD

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

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

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

PROVISIONS AND RESERVES

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

RECHARGES

The transfer of costs from one account to another.

RETIREMENT BENEFITS

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

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

REVENUE SUPPORT GRANT (RSG)

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

SCHEME LIABILITIES

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

SORP

Professional guidance issued to assist Local Authority Accounting.

SPECIFIC GOVERNMENT GRANTS

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

STOCKS

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

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

UNAPPORTIONABLE CENTRAL OVERHEADS

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

USEFUL LIFE

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

FURTHER INFORMATION AND FEEDBACK

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

CORPORATE PLAN

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

COUNCIL TAX EXPLAINED

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

ANNUAL REPORT

This gives a review of the performance of the Council over the last 12 months and includes a brief overview of the financial position.

STATEMENT OF ACCOUNTS

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

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

YES

NO

Would you like to see more information?

YES

NO

Please write any other comments below:

Please send any responses to Jenny Spick at Financial Services Division, Finance Department, Treasury Building, Cleveland Street, Birkenhead, CH41 6BU.

E-mail: jennyspick@wirral.gov.uk

Phone 0151 666 3582

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WIRRAL COUNCIL

PENSIONS COMMITTEE

28 JUNE 2010

AUDIT AND RISK MANAGEMENT COMMITTEE

30 JUNE 2010

REPORT OF THE DIRECTOR OF FINANCE

MERSEYSIDE PENSION FUND ACCOUNTS: YEAR ENDED 31 MARCH 2010

1. EXECUTIVE SUMMARY

- 1.1 This report shows the accounts and financial statements which will in due course be contained in the Annual Report of Merseyside Pension Fund 2009/2010. They are set out in detail in the Appendix.

2 COMMENTARY

- 2.1 In preparing these accounts, I have adhered to the Audit Commission approach to materiality and triviality. For the audit of the 2009/2010 accounts, there will be a single materiality level, which for MPF, will be based on 0.5% of net assets, taken to be £4.6bn. For MPF, this means a materiality level of £23.4m, which for net assets represents a considerable reduction, with potentially more scope for mis-statements. On the other hand, for benefits and contributions, this represents an increase in the materiality level, potentially reducing the number of mis-statements.
- 2.2. The threshold for trivial items is based on the lower of 1% of the materiality level (i.e. £234,000) or £500,000, hence for MPF this is £234,000. The Committee is requested to agree this approach.
- 2.3 The majority of figures relating to investments are provided by external sources. At the time of compiling these draft accounts, as a number of final figures are still outstanding, I have had to make estimates. Should the final figures be received during the period of the audit, and the difference not be deemed trivial, any subsequent adjustments to be made in the audited accounts will be referred to as mis-statements.
- 2.4 The following update on the Audit Commission recommendations consequent to the audit of the Pension Fund Accounts for 2008/2009 is provided:-

1	Strengthen internal quality assurance to ensure that errors in the accounts are minimised.	This tends to be a standard Audit Commission recommendation. I have closed the 2009/2010 Accounts using, for first time, the Oracle Accounting platform, and so new procedures have been identified and followed. This has improved the robustness of certain aspects of the closure of accounts programme, but, with any change of this magnitude, has brought its own set of challenges. I shall conduct an internal review of this process in the autumn, in addition to any comments from the Audit Commission.
2	Members should ensure they comply with the process for making related party transactions.	Returns from Members are complete.
3	Ensure that audit trails are available to support year end balances.	This is another standard recommendation. MPF continues to diversify investments and remains heavily dependent upon the timely receipt of accurate information and evidence from an increasing number of external sources. The audit trial for a specific internal balance, identified as inadequate last year, has been strengthened.
4	Improve procedures within the Pension Fund to ensure compliance with the SoRP aided by improved communication with other pension funds and government to ensure interpretation is clear and consistent.	This has been achieved. The Financial Controller of MPF chaired a meeting of the Audit Commission and 13 selected local authority pension funds, under the auspices of CIPFA. The Department for Communities and Local Government subsequently clarified the two remaining outstanding issues. CIPFA subsequently released the outcomes in time to inform the closure of local authority pension fund accounts for 2009/2010.

3 FINANCIAL AND STAFFING IMPLICATIONS

3.1 There are none arising directly from this report.

4. EQUAL OPPORTUNITY IMPLICATIONS

4.1. There are none arising from this report.

5. COMMUNITY SAFETY IMPLICATIONS

5.1. There are none arising from this report.

6. LOCAL MEMBER SUPPORT IMPLICATIONS

6.1. This report has no particular implications for any Members or wards.

7. LOCAL AGENDA 21 IMPLICATIONS

7.1. There are none arising from this report.

8. PLANNING IMPLICATIONS

8.1. There are none arising from this report.

9. BACKGROUND PAPERS

9.1. There are none with this report

10. RECOMMENDATIONS

10.1 That the Committee agree the levels of materiality and triviality.

10.2 That the Committee approve the accounts and financial statements of Merseyside Pension Fund for the year ended 31 March 2010

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/121/10

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APPENDIX

Fund Account - for year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Contributions and Benefits			
Contributions receivable	3	246,766	245,976
Transfers in		21,932	18,436
		268,698	264,412
Benefits payable	4	233,046	212,476
Leavers	5	19,658	15,121
Administration expenses		3,965	3,860
		256,669	231,457
Net additions from dealings with members		12,029	32,955
Return on Investments			
Investment Income	6	81,531	71,212
Change in market value of investments	7	1,080,503	-833,021
Investment Management Expenses	8	-9,745	-4,982
Net return on Investments		1,152,289	-766,791
Net increase (-decrease) in the Fund during the year		1,164,318	-733,836
Net Assets of the Fund at the start of the year		3,521,496	4,255,332
Net Assets of the Fund at the end of year		4,685,814	3,521,496

Net Assets Statement as at 31 March 2010

		2010 £'000	2009 £'000
Investments			
Other Investments	7	317,250	264,580
Equities		1,872,730	1,253,028
Managed and Unitised Funds		2,155,985	1,668,255
Derivative Contracts		33	130
Properties		210,225	199,535
Short Term Deposits		56,207	74,089
Other Investment Balances		57,286	41,453
		4,669,716	3,501,070
Current Assets	9	28,624	30,412
Current Liabilities	9	12,526	9,986
Net Assets of the Fund as at 31 March 2010		4,685,814	3,521,496

NOTES TO THE 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) May 2007

The financial statements record the transactions of the Scheme during the year and summarise the net assets at the disposal of the Managers at the end of the financial year. They do not take account of obligations to pay pensions and benefits which fall due after the end of Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the statement by the Actuary on pages 00 to 00 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

shown at bid price, i.e. the price which the Fund would have obtained should the securities have been sold at the year end. For this purpose unlisted investments, other than direct property are included at manager's valuation. Valuations of UK private equity are consistent with the guidelines and conventions of the British Venture Capital Association. Properties have been valued independently by Colliers Erdman Lewis, Chartered Surveyors as at 31 March 2010.

Translation of foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates ruling at the year end. Foreign income received during the year is translated at the rate ruling at the date of receipt. All resulting exchange adjustments are included in the revenue account.

Investment income

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

Rental income

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

Contributions and benefits

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

Transfers to and from other schemes

Transfer payments relate to those early leavers whose transfers have been paid during the year plus an accrual for future payments in respect of members moving their service to other schemes under bulk transfer arrangements. One bulk transfer into MPF is included in 2009/10, for which a cash payment will be received.

Investment Management Expenses

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

Prior Period Adjustments

There are no prior period adjustments in the accounts for 2009-2010.

3. Contributions Receivable	2010	2009
	£'000	£'000
Employers		
Normal	162,023	158,778
Augmentation	12,760	11,993
Deficit Funding	8,457	15,568
Employees		
Normal	63,526	59,637
	246,766	245,976
relating to : Administering Authority	37,705	36,524
Statutory Bodies	174,174	167,958
Admission Bodies	34,887	41,494
	246,766	245,976

Income in respect of Augmentation includes the re-imburement by employers on a monthly basis in respect of the enhanced elements of the monthly pensioners' payroll. There are three elements of deficit funding, one-off payments (nil in 2009/10, £8m in 2008/09), regular additional contributions and the recovery of specific early retirement costs (pension strain).

4. Benefits Payable	2010	2009
	£'000	£'000
Pensions	185,971	173,545
Lump Sum Retiring Allowances	42,985	35,387
Lump Sum Death Benefits	4,090	3,544
	233,046	212,476
relating to : Administering Authority	34,342	29,784
Statutory Bodies	168,123	156,773
Admission Bodies	30,581	25,919
	233,046	212,476

5. Payments to and on Account of Leavers

Refunds to members leaving service	41	21
Payment for members joining state scheme	2	25
Income for members from state scheme	-7	-29
Individual transfers to other schemes	19,622	15,104
	19,658	15,121

6. Investment Income

Fixed Interest Securities	0	0
Index-Linked Securities	0	0
Dividends from Equities, Managed and Unitised Funds	63,112	50,297
Net Rents from Properties	16,115	16,419
Interest on Deposits	1,279	3,927
Other	1,025	569
	81,531	71,212

As at 31 March 2010, £88.4m of stock was on loan to market makers, which was covered by non-cash collateral totalling £93.6m, giving a margin of 5.7%. Income from stock lending is included within 'Other' Investment Income.

The figure of 'Dividends from Equities, Managed and Unitised Funds' includes recoverable taxation of £1.27m, (2008/09 £0.65m) plus income from profits from associate and joint ventures of £1.7m (2008/09 £7.41m). Irrecoverable taxation amounted to £2.35m (2008/09 £2.64m).

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, but is not accruing for future receipt of such income within these accounts. In 2009-2010 £225,000 was recovered, gross of fees .

7. Investments

	Market Value @ 31.3.09 £'000	Purchases at cost and derivative payments £'000	Sale Proceeds and derivative receipts £'000	Change in Market Value* £'000	Market Value @ 31.3.10 £'000
Equities	1,253,028	779,192	741,079	581,589	1,872,730
Managed and Unitised Funds	1,668,255	389,252	360,684	459,162	2,155,985
Other	264,580	89,988	67,082	29,764	317,250
Derivative Contracts	130	1,386	1,690	207	33
Properties	199,535	0	2	10,692	210,225
	3,385,528	1,259,818	1,170,537	1,081,414	4,556,223
Short Term Deposits	74,089			233	56,207
Other Investment Balances	41,453			-1,144	57,286
	3,501,070			1,080,503	4,669,716

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

	2010 £'000	2009 £'000
Equities (segregated holdings)		
UK Quoted	802,581	550,034
Overseas Quoted	1,070,149	702,994
	1,872,730	1,253,028
Managed* and Unitised Funds		
	2010 £'000	2,009 £'000
UK Fixed Interest	0	172,351
UK Corporate Bonds	0	156,438
Overseas Fixed Interest	0	0
Unconstrained Bonds	359,907	0
Index-Linked Securities	477,650	442,823
UK Equities	644,224	417,468
Overseas Equities	396,049	274,907
Unlisted Securities (Private Equity)	189,895	145,314
Property Unit Trusts	88,260	58,954
	2,155,985	1,668,255

*All fixed interest/band holdings are in managed and unitised. Other than Corporate Bonds, other fixed interest holdings are public sector securities.

	2010 £'000	2009 £'000
Derivative Contracts	33	130
Type of Derivative		
Futures	Expiration	Economic Exposure
DJ Euro STOXX		Market Value
50 Index Futures	June 2010	330
		33

A Futures contract is the obligation under a legal arrangement to make or take delivery of a specified instrument at a fixed future date, at a price determined at the time of dealing. Merseyside Pension Fund's index futures contracts are externally managed and their objective is to hedge overseas investment positions against adverse index movements. Futures dealing requires the posting of margin. Initial margin must be posted before you can trade. Variation margin is the mark-to-market value of the futures contracts you have. Variation margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral is held in Euro currency and the Sterling equivalent amount is £33,092.

	2010	2009
	£'000	£'000
Other Investments	317,250	264,580
UK Properties		
Freehold	190,574	182,038
Leasehold	19,651	17,497
	210,225	199,535
Short Term Deposits	56,207	74,089

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

	2010	2009
	£'000	£000
Other Investment Balances		
Amounts due from brokers	33	858
Amounts due to stockbrokers	-5,607	-22,413
Amounts due from stockbrokers	6,636	19,171
Outstanding dividend entitlements and recoverable	12,796	6,110
Cash deposits	43,428	37,727
	57,286	41,453

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

Disclosure Note re: Transaction Costs

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties. They have been added to purchases and netted against sales proceeds as appropriate. Transaction costs during the year amounted to £1.966m. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the Fund.

Disclosure Note re: Icelandic Deposits

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

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

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

Glitnir Bank hf

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

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

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

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

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

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

Heritable

Heritable Bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009 outlined that the return to creditors was projected to be 80p in the £. To date the Fund has received three dividend payments totalling 34.98 pence in the £ which have exceeded the levels originally projected. The latest creditor progress report, dated January 2010 outlined that the return to creditors was projected to be 85p in the £. The Fund has therefore decided to decrease the impairment loss based on it recovering 85p in the £. In calculating the impairment the Fund has made the following assumptions re timing and recoveries:

June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2011	5%
March 2011	5%	June 2011	5%
June 2011	5%	September 2011	5%

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

The impairment loss recognised in the Fund Account in 2009/10, £475,532 has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the Fund until monies are recovered.

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

8. Investment Management Expenses

Fees paid to the eleven major investment managers amount to £8.2m, and constitute the bulk of the figure of £9.7m investment management expenses. Charges vary between fund managers and between markets and types of security. Charges are calculated as a percentage of the value of the investments. Internal investment management expenses are also included here.

9. Current Assets and Liabilities

	2010 £'000	2009 £'000
Assets		
Contributions due	17,077	20,885
Accrued and outstanding investment income	234	847
Transfer values receivable	1,700	2,357
Cash at bank	724	725
Sundries	9,039	6,071
Provision for bad debts	-150	-473
	28,624	30,412
Liabilities		
Transfer values payable	0	0
Provisions	596	541
Miscellaneous	11,930	9,445
	12,526	9,986
Total Other Assets and Liabilities	16,098	20,426

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.

Provision for Bad Debts' is now separately reported and relates to property rental income.

Included in 'Miscellaneous Liabilities' is an estimated £1.649m of unpaid benefits.

10. Commitments

Commitments for investments amounted to £194.017m as at 31 March 2010.

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 £3.838m (2009 £3.511m). Such charges principally relate to staffing required to maintain the pension service.

A specific declaration has been received from Pension Committee Members and principal officers regarding membership of, and transactions with, such persons or their related parties. A number of Members act as Board members of particular scheme employers, who maintain a conventional employer relationship with the Fund. Some principal officers act in an advisory capacity on investment bodies in which the Fund has an interest. No related party transactions have been declared.

12. Summary of Managers Portfolio Values as at 31 March 2010

	2010 £'m	%
Externally Managed		
JP Morgan	177	3.8
UBS	381	8.2
Nomura	647	13.9
Schroders	177	3.8
Legal & General (Pooled Assets)	941	20.2
Legal & General (Bonds)	183	3.9
Unigestion	138	3.0
M&G	146	3.1
TT International	139	3.0
Blackrock	143	3.1
Newton	122	2.6
	3,194	68.6
Internally Managed	1,476	31.4
	4,670	100.0

13. Additional Voluntary Contribution Investments

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

The Scheme providers are Equitable Life, Standard Life and Prudential. Individual members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year. As requested by the Local Authority Statement of Recommended Practice an aggregate breakdown between contributions, repayments and change in market value is also shown.

	2010	2009
	£000	£000
The aggregate amount of AVC investments is as follows :		
Equitable Life	3,010	3,076
Standard Life	6,823	5,833
Prudential	4,400	3,864
	14,233	12,773

Changes during the year were as follows:

Contributions	1,577
Repayments	1,879
Change in market values	1,762

14. Financial Performance

The Pension Fund is administered under a budget that is approved by Pensions Committee each January. That budget is reviewed and, if appropriate, revised the following January, based on the known and anticipated pattern of expenditure and market movements. In January 2009 a budget of £11.7m was approved for the financial year 2009/10. This was revised in January 2010 to £12.4m

The two main elements of the budget were salaries and related costs of £2.8m and investment management fees of £6.9m. The final accounts for the year ended 31 March 2010 indicate expenditure levels of £3.96m on administrative costs overall and £9.75m on all investment management expenses. Investment management expenses include, as its main element, external managers' fees, but also cover custodian fees, advisors fees and performance measurement fees. Fees of external managers and the Fund's custodian are on an ad valorem basis, and will therefore vary as the size of each portfolio changes. The overspend on external manager fees reflects the significant increase in the value of the Fund during the year. In addition, in the final accounts, the salaries and related expenses of the internal investment team are, in accordance with the Pensions Statement of Recommended Practice (the SORP), shown within investment management expenses.

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

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2009/10 no such charges were levied.

Background Information

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

The overall responsibility for the management of MPF rests with the Pensions Committee, which for 2009/10 included ten Councillors from Wirral Council, the Administering Authority, plus one Councillor from each of the four other Borough Councils, and one member representing the other employers in the scheme. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation is considered by the Investment Monitoring Working Party, which includes external advisers.

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

Under the LGPS Regulations, employer contributions are calculated by the Actuary, having regard to the assumptions and methodology set out in the Funding Strategy Statement (FSS). The most recent Triennial Valuation by the Actuary was as at 31 March 2007. The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The FSS specifies a maximum period for achieving full funding of 25 years.

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

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

	31-Mar-07	31-Mar-04
Long-dated gilt yield	4.40%	4.60%
Long-dated index-linked gilt yield	1.30%	1.80%
Market expectation for inflation (long term)	3.10%	2.80%

The assumptions to which the valuation results are particularly sensitive are shown below:

	2007 Funding Target
Investment Return pre-retirement	6.40%
Investment Return post-retirement	5.40%
Salary increases	4.35%
Pension increases in payment	3.10%
Non-retired members mortality	<i>PA92 MC YoB tables + 2 years</i>
Retired members mortality	<i>PA92 MC YoB tables + 2 years</i>

The outcomes of the next Triennial Valuation, as at March 2010 are expected in the Autumn of 2010.

SCHEME EMPLOYERS WITH ACTIVE MEMBERS AS AT 31 MARCH 2010

SCHEDULED BODIES

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

ADMISSION BODIES

Age UK - Liverpool
Arriva North West
Arvato Government Services
Association of Police Authorities
Balfour Beatty Workplace Ltd
Beechwood and Ballantyne Housing Association
Beechwood Educare Centre
Berrybridge Housing Ltd
Birkenhead Citizens Advice Bureau
Birkenhead Market Services Ltd
Birkenhead School (2002)
Blue Coat School
Burton Manor Residential College
Capita Symonds (Sefton)
Catholic Children's Society
CDS Housing
Cobalt Housing Ltd
COLAS
Care Quality Commission
Compass (Scolarest) Liverpool Schools
Compass (Scolarest) Wirral Schools
Comtechsa Limited
Enterprise Liverpool Cleansing

ADMISSION BODIES - continued

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

Audit Commission Progress Report

Wirral Council

Audit 2009/10

Date 14 June 2010

Contents

Key messages	3
Audit plan	5
Opinion 2009/10	8
Value for money conclusion 2009/10	15
PIDA work	18
Grant claims and returns 2009/10	19
Annual Audit Letter 2008/09	20
The audit team and key contacts	21
Members' resources	25
The Audit Commission	28

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Key messages

- 1 This report provides members with an update of our ongoing work at the Council and informs you of the risks arising from the audit, under International Standard on Auditing (United Kingdom and Ireland) 300. The key messages to draw to members' attention are:

Fees

- The new coalition government has stated that it is abolishing Comprehensive Area Assessment (CAA) and so all work on updating the area assessment and organisational assessment ceased with immediate effect (paragraph 2)
- The new Code of Audit Practice and Statement of Responsibilities of Auditors and Audited bodies set out our responsibilities (paragraph 3)
- Audit fees for 2010/11 will be £370,096 but may be subject to further change (paragraphs 4 to 6)
- Inspection fees for 2010/11 will change once the implications of the abolition of CAA is confirmed (paragraph 8)
- National Fraud Initiative (NFI) fees for 2010/11 will be £4,000 for the next two year programme (paragraph 9)

Opinion 2009/10

- We have completed our work on updating our knowledge and documenting the main financial systems. There are no significant issues that we wish to bring to the notice of members. (paragraph 19)
- Specific opinion risks identified for Wirral Council have not changed since our opinion plan in January but due to the scale and complexity of the PFI schemes at the Council we have identified this as a significant risk (paragraph 22 and 24)
- The opinion plan is on target. We have updated the milestones and deadlines to show progress on the opinion audit (paragraph 30 and Table 3)

Value for money conclusion 2009/10

- We have substantially completed our work on the assessment for the value for money conclusion 2009/10 (paragraph 28)
- Our review of managing attendance is complete and will be reported to members shortly (paragraph 29)
- The value for money conclusion plan is on target. Members should note the impact of the abolition of CAA on our reporting. (Table 4)

Public Interest Disclosure Act (PIDA) work

- Work on the two PIDA disclosures continues (paragraph 31).

Grant claims and returns 2009/10

- Grant claims work is progressing to schedule (paragraph 37)

Audit team and key contacts

- The table for Wirral Council key member contacts has been updated to reflect the new administration and committee appointments (paragraph 43 and Table 7)
- We have highlighted the Audit and Risk Management Committee's responsibilities for receiving our Annual Governance Report and approving the audited accounts at the meeting on 28 September 2010 (paragraph 45).

Members' resources

- The Audit Commission has developed councillor update newsletters which are available on the website. These online resources have been developed to meet the needs of members of councils. It is hoped that they will assist you in fulfilling your challenging role (paragraph 46)

Audit plan

2010/11 plan

- 2 The letters with the proposed fees for 2010/11 for audit and assessment were agreed with officers in April and are being presented to this Committee for consideration. However, the new coalition government has stated that it is abolishing Comprehensive Area Assessment and so all work on updating the area assessment and organisational assessment ceased with immediate effect. The Commission has recently written to the Local Strategic Partnership and Council setting out what this means for individual pieces of work underway and we will update members when this is clear.

Audit fee

- 3 Alongside the audit fees letter is the Work programme and scales of fees 2010/11, the new Code of Audit Practice 2010 and the Statement of Responsibilities of Auditors and Audited bodies.
- 4 The total indicative fee for the audit for 2010/11 is £392,000 (excluding VAT), a 0.5% increase on the planned fee of £390,000 for 2009/10. This is less than the Audit Commission's anticipated 6% increase for 2010/11 for the first year of International Financial Reporting Standards (IFRS) and is in line with our commitment to reduce the 2010/11 fee as noted at meetings with officers and members.
- 5 Members should also note that the Commission has confirmed that it would subsidise the 'one-off' element of the cost of transition to International Financial Reporting Standards (IFRS) for local authorities and police and fire and rescue authorities from 2010/11. You will therefore receive a refund from the Audit Commission of £21,904 which brings the fee charged for 2010/11 to £370,096.
- 6 This will be subject to a further reduction once we are clear about the approach to providing you with a safe conclusion on the value for money element of the audit. The letter sent by the Audit Commission to the Council made it clear that we will continue to deliver the audit in line with the statutory Code of Audit Practice under which we are required to give a value for money conclusion alongside the opinion on the financial statements.

Grant claims and returns fee

- 7 The planned fee for grant claims and returns is £125,000.

Assessment and inspection fee

- 8 The fee letter agreed with officers in April showed the total indicative fee for inspection as £49,153 (£16,630 for the managing performance organisational assessment and £32,523 for the economic development inspection). Although CAA has been abolished, the letter sent by the Audit Commission to the Council made it

clear that risk-based inspections under way or programmed will continue. The implication for the inspection fee will be updated when the position has been agreed.

National Fraud Initiative (NFI)

- 9 The consultation on the proposed work programme and scale of fees for (NFI 2010/11 ran between 30 November 2009 and 19 February 2010. The Audit Commission has now confirmed the work programme and scale of fees for NFI 2010/11. This is attached to this report and confirms that the rate for metropolitan borough councils remains at the 2008/09 rate of £4k. The NFI is run over a two-year period, so the scale of fees covers the two financial years 2010/11 and 2011/12. We will bill for these fees in two equal annual instalments.

2009/10 plan

- 10 We issued our initial audit fees letter for 2009/10 to Cabinet on 23 April 2009 and the Audit and Risk Management Committee on 29 June 2009, which set out the work that we proposed to undertake in order to satisfy our responsibilities under the Audit Commission's Code of Audit Practice. The fee for the audit of the financial statements and the value for money conclusion was confirmed in the Annual Audit Letter as £390,000. The planned fee for grant claims and returns is £128,000.
- 11 We are working with officers to reduce the fee for future years. The actions that the Council can take to help to reduce the fee include:
- Manage and respond to issues and complaints raised within the Council and by members of the public to reduce the issues brought to our attention
 - Manage and mitigate significant audit risks
 - Demonstrate that there is a sound control environment
 - Provide us with complete and materially accurate financial statements and other evidence
 - with good supporting working papers
 - within agreed timeframes.
- 12 We prepared a detailed 2009/10 opinion plan and value for money plan that has been discussed with and agreed with officers and presented to the Audit Committee on 24 March 2010.

2008/09 plan

- 13 Our fee for 2008/09 was £406,650 for our opinion audit and value for money conclusion.
- 14 Our proposed fee for grant claims was £136,960 and our final fee can now be confirmed as £114,304 due to a reduced number of claims required to be audited than originally planned.

Public interest disclosure act (PIDA) work

- 15 We have continued to carry out work on the PIDA in respect of DASS and we received a further PIDA on procurement. These issues were not anticipated when the fees were originally set and we have previously agreed that we will charge an additional fee when we complete the work.

Opinion 2009/10

- 16** The District Auditor is required to issue an audit report by 30 September 2010 giving his opinion on whether the Council's accounts give a true and fair view of the financial position of the Authority as at 31 March 2010. Our Opinion Plan presented to members in January 2010 sets out in more detail the audit work we propose to carry out in relation to the audit of the financial statements 2009/10 for Wirral Council, including the audit of the Whole of Government Accounts. We have also updated the timetable and the table of audit risks below.
- 17** There is a separate Opinion plan and progress report in respect of Merseyside Pension Fund's financial statements.
- 18** Our work is split into 3 elements:
- updating and documenting our knowledge of the main financial systems;
 - interim controls testing; and
 - audit of the financial statements.

Knowledge of the main financial systems and controls testing

- 19** We have completed our work on updating our knowledge and documenting the main financial systems. There are no significant issues that we wish to bring to the notice of members.

Reliance on internal audit

- 20** We have discussed our respective audit approaches with Internal Audit with the aim of placing reliance on some areas of its work in 2010/11.

Audit of the financial statements

- 21** Our audit of the approved financial statements will commence shortly and we are carrying out some early testing where appropriate.
- 22** We have considered the additional risks that are appropriate to the current financial statements audit and have set these out below. Due to the scale and complexity of the PFI schemes at the Council we have identified this as a significant risk.

Table 1 Specific and significant risks

Specific opinion risks identified for Wirral Council have not changed since our opinion plan in January but due to the scale and complexity of the PFI schemes at the Council we have identified this as a significant risk.

Risk Area	Assertions	Audit response
Risks relevant for all councils		
The Statement of Recommended Practice (SORP) 2009 requires that Private Finance Initiative (PFI) schemes and service concessions are to be accounted for under IFRS. Relevant entries will therefore generally be required to be recognised on balance sheet. As the Council has a significant PFI scheme, there is a risk that the new accounting arrangements are incorrectly applied and the balance sheet is misstated.	Valuation and allocation	Ongoing discussions with Council officers to assess impact of change. Accounting treatment followed will be reviewed to ensure that it meets the requirements of SORP 2009.
General market conditions are a trigger event for an impairment review. Impairment could be significant compared to previous years. Risk that the carrying value of assets are materially misstated at the year end.	Valuation and allocation	Movement of Council asset values recognised in the accounts to be compared against general market information provided by independent chartered surveyors.
Current economic conditions suggest that an increase in the Bad Debt Provision (BDP) may be required. Risk that provision may be understated.	Valuation and allocation	Aged debtor and debt recovery analysis reviewed to support reasonableness of BDP calculation.
Increased risk of fraudulent financial reporting due to current economic environment and increased financial pressures, for example overspends in DASS.	All	Discussions with senior Council officers regarding controls that mitigate the risk of fraud. Letters of assurance to be obtained from management and those charged with governance (TCWG) Monitoring of the Council's reported financial performance. Completion of a fraud risk assessment. Review of the Letter of

Risk Area	Assertions	Audit response
		Representation.
The Council is reviewing a number of accounting areas as part of the transition to IFRS work. There is a risk that detailed review of accounting entries may identify errors under UK Generally Accepted Accounting Practice (UK GAAP).	All	Ongoing discussions with finance officers regarding progress in the transition to IFRS.
Housing benefits expenditure and grant income are material entries in the accounts. Our deadline to complete the certification of the housing benefits subsidy claim is after our opinion deadline on the accounts.	All	We will agree amounts in the housing benefits system to the general ledger at the year end. We will complete sufficient work on the housing benefit subsidy claim to demonstrate that the claim is not materially misstated.
Risks specific to Wirral		
Large number of manual, off ledger, significant adjustments actioned at the year end to produce the accounts. Risk of misstatement in the accounts, mainly in respect of the income and expenditure (I&E) account and Financial Reporting Standard (FRS)17 entries	Accuracy Completeness	All material journals will be reviewed. Review audit trail between accounts and ledger produced to identify entries requiring testing. FRS17 entries to be agreed to actuarial confirmation.
A material weakness was identified in 2008/09 in relation to the Council's asset records. If no action is taken there is a risk of misstatement in the following areas: - existence of vehicles plant and equipment (VPE) - capitalisation of expenditure on infrastructure assets - completeness of community assets	Existence, valuation and allocation, completeness	Progress against the action plan agreed in the 2008/09 Annual Governance Report (AGR) will be monitored throughout the year. Year end substantive testing will be performed specifically addressing the risk areas identified.
2008/09 audit identified undisclosed related party transactions. Risk of non-disclosure of politically sensitive items in the accounts approved by members in June 2010.	Completeness	All declarations of interests made in year will be reviewed. Other audit procedures will be made to ensure that all disclosures have been made, for example Companies House searches and following up

Audit plan

Risk Area	Assertions	Audit response
		National Fraud Initiative (NFI) matches.
Our PIDA work on the DASS charging policy applied at in-house supported living units from 1997 is unresolved. Risk of financial, legal and governance impact on the accounts.	Regularity	Liaison with the Monitoring Officer and S151 Officer. Review of IA work on further investigation of issues and quantifying any financial, governance and legal implications
Our PIDA work on the HESPE contract is unresolved. Risk of financial, legal and governance impact on the accounts.	Regularity	Liaison with the Monitoring Officer and S151 Officer. Review of HESPE contract.
<p>13 non-trivial errors were identified during the 2008/09 audit, including the following three material errors:</p> <ul style="list-style-type: none"> - classification within the Best Value Accounting Code of Practice (BVACOP) analysis - netting off of Revenue Expenditure Funded from Capital Under Statute (REFCUS) in the service expenditure analysis (SEA) - valuation basis of community assets <p>We also identified 5 disclosure errors.</p> <p>There is a risk that the process that led to these errors will reoccur, leading to misstatement in 2009/10 accounts.</p>	All	All errors identified in the 2008/09 audit will be carried forward and specifically considered in 2009/10.
The Council must produce its accounts by the end of June 2010 and we have planned for the majority of our work to be completed during July 2010. Any delay in the production of the accounts or supporting working papers will impact on our ability to complete the audit by the deadline and report to members.	All	Key milestones and timetable communicated in the 2009/10 opinion plan and updated in progress reports.

The assertions are explained in the Opinion Plan presented to members in January 2010

Chief Accountants' workshops

- 23 The Audit Commission runs workshops every year for chief accountants to ensure that consistent messages about technical issues are shared with audited bodies. Key finance officers attended the workshop at Warrington on 4 February 2010.

International Financial Reporting Standards (IFRS)

- 24 2010/11 is the first year that the accounts need to be prepared under IFRS. However, councils are required to implement some elements for the 2009/10 accounts in relation to Private Finance Initiatives (PFI) and service concessions such as where buildings are not owned by councils but the service provided is controlled by councils. The Council has sought specialist advice on the new accounting treatment required and we have also brought in one of our technical experts to review this. This is also highlighted as a significant risk in the table above.

Update to opinion plan

- 25 The tables below update our opinion plan for members and show progress on the audit is as planned.

Table 2 Planned outputs

The planned outputs from the opinion audit are set out below.

Planned output	Indicative date	Update and progress
Opinion audit plans	31 December 2009	Completed
Update to opinion audit plans and feedback on interim audits (if appropriate)	March 2010	Update in progress report. No interim issues to bring to members attention
Annual governance reports	30 September 2010	For ARMC 28 September
Auditor's reports giving an opinion on the financial statements	30 September 2010	As planned

Table 3 Key milestones and deadlines

The audit is progressing as planned and committee dates have been confirmed

Task	Deadline	Update and progress
Agreement of Opinion Plan with officers	Draft by end of November Final by mid December	Completed to plan
Progress meetings - pre statements	Six weekly	In progress

Audit plan

Task	Deadline	Update and progress
Presentation of Opinion Plan to ARMC Finance to present covering report including explanation of the final accounts process and the roles of the Pensions Committee and Audit and Risk Management Committee	18 January 2010 (papers by 29 December)	Completed to plan
ISA+ 315 knowledge of the entity	January 2010	Completed to plan
Control testing	February 2010	Completed to plan
ARMC consider draft Annual Governance Statement Update of Opinion Plan presented to ARMC	24 March 2010 (papers by 10 March)	AGS considered at ARMC March 2010 No update of opinion plan required
ARMC member training (proposed)	May/early June 2010	In progress
Early substantive pre-statements testing	Mid June 2010	In progress
Receipt of pre-audit accounts by ARMC and auditor	14 June 2010	Expected to plan
Working papers provided to the auditor	By 30 June 2010	Expected to plan
Pensions Committee to challenge accounts and make recommendations to ARMC	Before ARMC meeting (by 30 June 2010)	Pensions Committee meeting planned for 28 June 2010
ARMC to challenge and approve accounts, including Annual Governance Statement and Pension Fund Statements. Finance to present pre-audit statement of accounts and covering report	By 30 June 2010 (papers out by 16 June)	ARMC meeting planned for 30 June 2010
Start of detailed testing on main statements	30 June 2010	Expected to plan
Completion of fieldwork on main statements	6 August 2010	Expected to plan
Receipt of WGA and working papers	8 July 2010	Expected to plan
Completion of fieldwork on WGA	6 August 2010	Expected to plan
Progress meetings - post statements	Weekly	Expected to plan
Agreement of errors and uncertainties	20 August 2010	Expected to plan

Task	Deadline	Update and progress
for Finance to complete covering reports and amend statements		
Draft Annual Governance Reports from Audit Commission to officers	3 September 2010	Expected to plan.
Meeting with officers to agree final AGRs (Finals AGRs will highlight any outstanding issues that will be updated at meetings with members)	Meetings by 8 September 2010 Final AGRs by 13 September 2010	Expected to plan. Any ongoing issues at 13 September will be highlighted in the reports.
Pensions Committee - to consider the Pension Fund AGR and any action plan, any amendments to statements and the Letter of Representation - to make recommendations to ARMC	Before ARMC meeting below (by 30 September 2010) Papers out by 13 September	Now confirmed for 27 September 2010
ARMC to receive Annual Governance Reports, including any verbal update on outstanding issues (Wirral and MPF) Finance to present covering reports and post-audit statements	By 30 September 2010 Papers out by 13 September 2010	Now confirmed for 28 September 2010
Final check of post-audit statements	By 30 September 2010	Expected to plan
Issue of opinions by the District Auditor	By 30 September 2010	Expected to plan
Audited accounts published by the Council	By 30 September 2010	Expected to plan
Whole of Government Accounts return submitted	1 October 2010	Expected to plan

Value for money conclusion 2009/10

- 26** We agreed a value for money conclusion plan with officers and presented it to the Audit Committee in March 2010. We have updated the timetable below to show progress to date and changes to our original plan.
- 27** Every year the Audit Commission applies a proportionate approach to the work and has determined that we will not be doing any work on one of the criteria at any councils this year - natural resources - and will carry forward the assessment of 'yes' on that criteria for 2009/10. This will be the first year that we assess whether the Council plans, organises and develops its workforce effectively to support the achievement of its strategic objectives.
- 28** We have substantially completed our work on the assessment for the value for money conclusion 2009/10. We met with the Director of finance on 20 April 2010 to discuss preliminary feedback and will be reporting the outcome in our annual governance report to the Audit Committee and Risk Management Committee on 28 September 2010. We will also report any significant findings in the annual audit letter but will not be reporting a score for the use of resources.

Managing attendance

- 29** As part of our work to inform the value for money conclusion we have completed a review of how the Council manages attendance. The final report has been agreed with officers and we are awaiting completion of the action plan before we finalise the report and present it to members.

Update to value for money conclusion plan

- 30** The value for money conclusion plan is progressing to targets. Members should note the impact of the abolition of CAA on our reporting.

Table 4 Update to and progress on value for money timetable

The timetable has been updated for actions completed and changes to the plan. Members should note the impact of the abolition of CAA on our reporting.

Date	Original activity/milestone	Update and progress
November 2009	Draft plan to Council	Completed to plan
December 2009	Agree plan with Lead Director	Completed to plan
Mid December 2009	Audit Commission national report 2008/09 including scores and examples of strong performance and outcomes to support learning for the 2009/10 assessment	Completed to plan

November - March 2010	Fieldwork	Completed to plan
January 2010	VFM profile tools available from the Audit Commission	Slight delay but now complete
January 2010	Plan to the Audit & Risk Management Committee	Completed
March 2010	Cheshire/Mersey local quality assurance	Completed to plan
Early April	Interim feedback to Lead Director	Completed 20 April 2010
21 April 2010	Indicative scores submitted by audit team to Audit Commission	Completed to plan
10 - 21 May 2010	Audit team area QA and internal challenge	Completed to plan
May 2010	Issue and agree draft managing attendance report. Finalise report by the end of May 2010.	Partially complete. Report discussed and final agreed subject to completion of action plan.
June/July 2010	Consideration of final evidence of outcomes and agreement of draft value for money conclusion	In progress
30 July 2010	Final scores submitted to Audit Commission	CAA abolished and we will not be scoring UoR
2 - 27 August 2010	National quality assurance process	Cancelled
End August 2010	Agreement of final value for money conclusion and scored UoR judgements	Agreement of final value for money conclusion in progress. We will not be scoring UoR
Early September	Draft Annual Governance Report to officers	Required 3 September 2010
Mid September	Final Annual Governance Report to members	Required 13 September 2010
Late September 2010	Audit & Risk Management Committee (papers out 2 weeks before)	Now confirmed as 28 September
October/November 2010	Draft organisational assessment report shared with the Council	CAA abolished - work on organisational assessment has stopped

Value for money conclusion 2009/10

Late November 2010	Final organisational assessments reported as part of CAA reporting. Issue annual audit letter.	CAA abolished so no reporting. Annual audit letter as planned.
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PIDA work

- 31 Work on two PIDA disclosures in respect of adult social services and procurement continues.

Adult social services

- 32 We are continuing to monitor the Council's progress in responding to our 2007/08 report: *Adult Social Services - Follow up of PIDA Disclosure* which was considered by the Audit and Risk Management Committee in September 2008.
- 33 A key issue was in respect of the charging policy applied at three supported living units. Following a number of reports by Internal Audit, the Audit and Risk Management Committee has recommended to Cabinet that users at these units should have been charged at lower rates and should be reimbursed back to December 2000 for the amounts overcharged.
- 34 Cabinet has also commissioned an independent investigation into the whistleblower's allegations of bullying and harassment.
- 35 The Director of Adult Social Services has reported to members on progress against the original action plan in our PIDA report. The Council is taking forward the actions and we will continue to review and monitor the actions as part of our on-going work with the Council. Our review and subsequent reviews by the Council have confirmed the whistleblowers concerns around charging, financial control, compliance with policies and procedures and governance between 1997 and 2006.

Procurement of highways and engineering services

- 36 During 2008/09 we received a PIDA disclosure in respect of the process for awarding the Highways and Engineering Services Procurement Exercise (HESPE) contract. The review is still progressing and we will be reporting to members shortly.

Grant claims and returns 2009/10

37 The 2008/09 grant claims and returns report was presented to the March 2010 meeting of the Audit and Risk Management Committee. We have started the 2009/10 programme and it is progressing to schedule:

- Housing and Council Tax Benefits Scheme - received from the Council 30 May 2010. We are carrying out early testing and are progressing well on this. Audit deadline 30 November 2010.
- National non-domestic rates grant - expected from Council 25 June 2010. Audit deadline 25 September 2010.
- Teachers' pensions return - expected from Council 30 June 2010. Audit deadline 30 November 2010.
- Disabled facilities grant - expected from Council 30 June 2010. Audit deadline 30 September 2010.
- Single programme grants - 4 grant claims expected from Council 30 June 2010. Audit deadline 30 September 2010.
- General Sure Start grant - expected from Council 31 July 2010. Audit deadline 31 October 2010.

Annual Audit Letter 2008/09

Key findings

38 The Annual Audit Letter, presented to the Audit Committee meeting in March 2010 reported the outcome of the 2008/09 audit programme:

- Wirral Council Opinion and Value for Money Conclusion - unqualified opinion and value for money conclusion given 30 September 2009;
- Merseyside Pension Fund Opinion - unqualified opinion given 30 September 2010
- use of resources assessment - scored 2 for all criteria (performing adequately).

39 The reports completed to support our findings and dates of issue are shown below. All reports are presented to the Audit and Risk management Committee and copies can be obtained from the Council. Internal Audit follows up progress on the action plans.

- Annual Governance Report 2008/09 - Wirral Council, September 2009
- Annual Governance Report 2008/09 - Merseyside Pension Fund, September 2009
- Auditor's report 2008/09 containing opinion on Wirral Council's accounts and value for money conclusion, 30 September 2009
- Auditor's report 2008/09 containing opinion on Merseyside Pension Fund's accounts, 30 September 2009
- Improvement through better financial management 2008/09, September 2009
- Governance of partnerships 2008/09, June 2009
- Ethical governance diagnostic 2008/09, June 2009
- Triennial review of Internal Audit 2008/09, December 2009
- Data quality spot checks 2008/09, December 2009
- Performance management interim report 2008/09, August 2009
- Community cohesion 2008/09, September 2009
- Procurement and commissioning 2008/09, November 2009
- Grant claims and returns (2007/08 programme), December 2009
- Annual audit letter 2008/09, December 2009
- Grant claims and returns 2008/09, March 2010

The audit team and key contacts

- 40** The key members of the audit team for the 2009/10 audit have not changed from that set out in our opinion and value for money plans. The current team is shown in the table below.
- 41** I can confirm that the audit is being carried out in accordance with the Audit Commission’s policies on integrity, objectivity and independence and there are no conflicts to report to members.

Table 5 Audit team

Name	Contact details	Responsibilities
Mike Thomas District Auditor	m-thomas@audit-commission.gov.uk 0844 7987043 or 07879 667712	Overall delivery and reporting of the audits of the Council and Merseyside Pension Fund including quality and outputs. Signing the opinion, conclusion and certificate. Liaison with the Director of Finance and Chief Executive.
Liz Temple-Murray Audit Manager	l-temple-murray@audit-commission.gov.uk 0151 666 3483 or 07769 887358	Manages, quality assures and coordinates the different elements of the audit work on Wirral Council (including liaison with the Pension Fund Audit Manager). Key point of contact for the Director of Finance, Head of Finance, Head of Pensions and Chair of the Audit and Risk Management Committee. Annual Governance Report for Wirral Council.
Caroline Davies Audit Manager	caroline-davies@audit-commission.gov.uk 0151 666 3481	Supports the Audit Manager on Wirral Council. Manages, quality assures and coordinates the different elements of the audit work on Merseyside Pension Fund. Key point of contact for the Head of Pensions, the Financial Controller and the Chair of the Pensions Committee. Annual Governance Report for

Name	Contact details	Responsibilities
		Merseyside Pension Fund.
Rob Metcalf Audit Team Leader	r-metcalf@audit-commission.gov.uk 0151 666 3484	Leads fieldwork and audit team on opinion and value for money conclusion work. Key point of contact for and liaison with the Head of Finance and the Chief Accountants.
Dave Wilson Performance Manager	da-wilson@audit-commission.gov.uk 0844 7987333 or 0774 8930598	Manages, quality assures and coordinates some elements of the audit work on the value for money conclusion
Kath Johnson Phil Kuehnle and Tony Whitehead Performance Specialists	ka-johnson@audit-commission.gov.uk 0844 7983579 p-kuehnle@audit-commission.gov.uk 0844 798 3663 t-whitehead@audit-commission.gov.uk 0151 666 3509	Complete audit work on the value for money conclusion. Kath Johnson carries out the Managing Attendance review.

42 Wirral Council key officer contacts for the audit are set out in the table below.

Table 6 Wirral Council key officer contacts

Key officers of the Wirral Council team

Name	Contact details	Responsibilities
Stephen Maddox Chief Executive	stephenmaddox@wirral.gov.uk 0151 691 8589	Accountable Officer Governance framework and signing the Annual Governance Statement.
Ian Coleman Director of Finance	iancoleman@wirral.gov.uk 0151 666 3056	Section 151 Officer Preparation and certification of accounts that present fairly the financial position of Wirral Council at 31 March 2010. Preparation and certification of accounts that present fairly the

The audit team and key contacts

Name	Contact details	Responsibilities
		financial position of Merseyside Pension Fund at 31 March 2010. Agreement of final AGRs. Lead officer for the value for money conclusion.
Bill Norman Director of Law, Asset Management and HR	billnorman@wirral.gov.uk 0151 691 8498	Monitoring Officer Considering the legality of transactions.
Tom Sault Head of Financial Services	tomsault@wirral.gov.uk 0151 666 3407	Preparation and quality assurance of Wirral Council's accounts. Agreement of draft AGR for Wirral Council. Key contact for the value for money conclusion.
Jenny Spick Chief Accountant - Operations	jennyspick@wirral.gov.uk 0151 666 3582	Preparation of accounts and coordination and liaison during the audit.
Dave Garry Chief Internal Auditor	davegarry@wirral.gov.uk 0151 666 3387	Review of and assurance on risk management, corporate governance and financial control.

Wirral Council

43 Wirral Council key member contacts for the audit are set out below:

Table 7 Wirral Council key member contacts

Key members involved in the audit have changed with the new administration

Name	Contact details	Responsibilities
Councillor Jeff Green Council Leader	jeffgreen@wirral.gov.uk	Governance framework and signing the Annual Governance Statement
Councillor Simon Mountney Chair of the ARMC	simonmountney@wirral.gov.uk	Approves and signs the accounts on behalf of the Council

Wirral Council

- 44** In addition, all members of the Audit & Risk Management Committee are responsible for:
- Considering both the Council's and MPF's statements of accounts prior to approval by 30 June
 - The responsibilities of the Council under section 151 of the Local Government Act 1972 to make proper provision for its financial affairs.
- 45** At the meeting in September members will need to consider the post audit financial statements and our Annual Governance Reports which set out the key issues that you should consider before we complete the audits. Members will be required to:
- consider the matters raised in the reports before approving the financial statements
 - take note of any adjustments to the financial statements set out in the reports
 - agree to adjust any errors in the financial statements which management has declined to amend or set out the reasons for not amending the errors
 - approve the letters of representation on behalf of the Council before the District Auditor issues his opinions and value for money conclusion; and
 - agree the Council's response to the proposed action plans

Members' resources

Audit Commission information for members

46 The Audit Commission has developed councillor update newsletters which are available on the website. These online resources have been developed to meet the needs of members of councils. It is hoped that they will assist you in fulfilling your challenging role.

Councillor Update newsletters

47 These newsletters are aimed specifically at councillors and are available at the following link <http://www.audit-commission.gov.uk/localgov/keepmeuptodate/Pages/councillorupdate.aspx> . They summarise information about the Commission and its' activities. To ensure you receive Councillor Update as soon as it is published, you can [subscribe to future editions](#). The latest edition (March 2010) contains the following relevant information:

Upcoming reports

- National Fraud Initiative 2008/09. This report will set out the successes of NFI in helping protect 'UK PLC' from fraud and wrongful payments, explain what more could be done by government and participants and detail how NFI will develop to meet new fraud challenges.
- Financial implications of personalised social care budgets. We are looking at the costs and benefits of giving individuals control of social care budgets; what would it mean for accountability and councillors?
- Older teenagers not in education, employment or training. How much do we spend on young people who are 'NEET' from council, college, training, police and Department of Work and Pensions budgets? We could join up budgets and save costs.
- Strategic financial management. This looks at the role of finance directors, audit committees, cabinets and backbench councillors in spending and accounting for public money. This study builds on our previous report: World Class Financial Management.

Published reports:

- Countdown to IFRS - Identifying and accounting for leases, 17 March 2010. Councillors have a part to play in preparing for International Financial Reporting Standards (IFRS), especially those on finance and audit committees. Alongside a general briefing on IFRS, the Commission published a checklist for members with finance responsibilities. See below.



- By mutual agreement, 16 March 2010. Severance deals serve councils and the taxpayer. But our research shows that not all pay-offs are justified. Competent chief executives sometimes lose their jobs needlessly, and less effective individuals have been paid-off rather than dismissed.



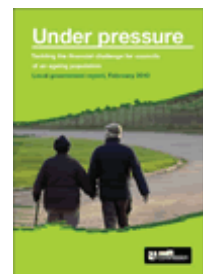
- Healthy balance, 11 March 2010. Does your ward have a high number of teenage pregnancies, or is there growth in childhood obesity? This briefing says the NHS allocated £21 billion in 2009/10 on the basis of inequalities in health between areas. The impact of the spending is unclear.



- The truth is out there: A discussion paper, 5 March 2010. Information is essential: it helps you make better decisions. Making more and better information available to the public should help them evaluate the decisions their elected representatives are making, what public money is spent on and with what result. This discussion paper looks at how councils and health trusts, social workers, doctors and police can improve data and analysis made available to the public.



- Under pressure: Tackling the financial challenge for councils of an ageing population, 18 February 2010. Councils need to understand the nature and needs of residents who are ageing. The report stresses growth in the number of older citizens affects all services. We need better working across boundaries.



- Giving children a healthy start: A review of health improvements in children from birth to five years, 3 February 2010. Have the large sums spent on young children from 1999 to 2009 improved their health? The study examines local service planning and delivery, and how councils and primary care trusts can improve services and access for vulnerable groups, lone and teenage parents and black and minority ethnic communities.



48 The following link will also take you to the most up to date list of national studies <http://www.audit-commission.gov.uk/localgov/nationalstudies/pages/default.aspx>

Countdown to IFRS - a checklist for members

- 49** This report is included in the list above and is brought to members' attention as it is a fundamental change in financial reporting. From 2010/11 local government will be required to prepare accounts in accordance with international accounting standards (IFRS). A failure to achieve successful transition to IFRS would cause significant reputational damage not only to individual authorities but to the local government sector as a whole.
- 50** Poor preparation will heighten the risk that accounts will not meet requirements and so attract a qualified auditor's opinion or be published late. At a practical level, there is a risk that avoidable additional costs will be incurred if the implementation timetable is not well managed or is allowed to slip. The transition process is a real test of self regulation by local government.
- 51** The audit committee (or its equivalent) needs to be sufficiently aware of the requirements of IFRS to ensure the transition project is on track. In order to help members discuss their IFRS transition plan with relevant officers we have set out a number of suggested questions in a checklist available at the following link:
<http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/financialmanagement/ifrs/Pages/ifrsmemberbriefing.aspx>

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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