WIRRAL

Statement of Accounts
2013/14

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FOREWORD AND FINANCIAL REPORT

1. INTRODUCTION

1.1 The Council is required to produce an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. These require the Accounts to be prepared in accordance with proper accounting practices, which primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and the Service Reporting Code of Practice for Local Authorities 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

1.2 The Statement of Accounts sets out the financial performance of the Council for the 2013/14 financial year and shows the year-end financial position at 31 March 2014.

1.3 This foreword provides an explanation of the Council's overall financial position, including the main influences on the accounts, and is set out to assist with the understanding of the accounting statements. Whilst plain language has been used wherever possible, technical language is required in some areas. To assist with understanding of the accounts a glossary of financial terms has been included at the end of the Statement of Accounts.

2. ABOUT THE STATEMENT OF ACCOUNTS

2.1 This section provides a brief description of the various statements and their purposes, including:-

- The Statement of Responsibilities, which sets out the responsibilities of the Council and of the Chief Financial Officer / Director of Resources;
- The Auditor's Statement, which is the Independent Auditor's report to Members of Wirral Council including the conclusion of arrangements for securing Value for Money.

2.2 The Core Financial Statements comprise four key statements:-

- The Movement in Reserves Statement, which shows the movement on the different reserves that the Council holds;
- The Comprehensive Income and Expenditure Statement, which shows all income and expenditure for the Council;
- The Balance Sheet, which shows the financial standing of the Council at 31 March 2014, detailing all assets and liabilities;
- The Cash Flow Statement, which shows the inflows and outflows of cash arising from transactions with other parties.

2.3 The Notes to the Statements. This section provides further detail and an explanation of the items contained within the four Core Financial Statements.

2.4 There are Supplementary Financial Statements for -

- The Collection Fund (and notes), which covers Council Tax and Non-Domestic Rates collected and the amounts paid to precepting authorities and to Government;
- The Pension Fund, which covers the financial position of the Merseyside Pension Fund, which is administered by Wirral Council.

2.5 The Annual Governance Statement, which does not form part of the formal Statement of Accounts but has been included as it:-

- Gives the public assurance that the Council has proper arrangements in place to manage its affairs. The Statement summarises the Council's responsibilities and shows the effectiveness of the arrangements in place to manage its affairs;
- Shows the actions agreed by the Leader and Chief Executive to address those matters identified as requiring action to further enhance the governance arrangements.

2.6 In 2013/14, there have been changes to the Service Reporting Code of Practice, which have an impact on, and have been reflected in, the Statement of Accounts:-

- The major change relates to the inclusion of income and expenditure in respect of Public Health in the Council's Comprehensive Income and Expenditure Account for the first time following the transfer of responsibility for this area from the NHS.
- A minor change requires spending on local welfare schemes, such as contributions to food banks to be included within Central Services to the Public.

The Statement of Accounts for 2013/14 reflects these changes.

3. REVIEW OF THE FINANCIAL YEAR

3.1 Revenue Expenditure and Income

3.1.1 Revenue expenditure and income generally relates to those items that are used within the year on the provision of services to the people of Wirral. Before the start of the financial year, the Council prepares its annual Budget, which sets out the expenditure and income required during the year to provide services. In March 2013 the Council agreed a net budget of £301.8 million for 2013/14. The Budget is regularly reviewed and, if needed, revised during the year to reflect known changes to expenditure and income. There was no requirement to change the original Budget during the year.

3.1.2 The net spending of the Council is met from a combination of Government Grants, the local taxpayer through Council Tax and other income. In previous years the Council took advantage of a grant from the Government to freeze Council Tax. A similar grant was offered in 2013/14 that was equivalent to a 1% rise and was payable for financial years 2013/14 and 2014/15 only. After taking account of all available options the Council decided to increase Wirral Council Tax by 2% in 2013/14 to provide the necessary resources to support services and to set a balanced Budget.

3.2 Comparison of the Budget with the Out-turn

3.2.1 Throughout the year spend against the approved Budget was monitored and reported on a regular basis. This enables early corrective action to be taken should any issues arise and minimises the risk of any potential overspending and the unplanned erosion of the General Fund Balances. During the latter part of the year a concerted focus on underspends was generated to assist future years savings and the need to build an amount to support the cost of change.

3.2.2 For 2013/14 the Revenue Out-turn showed an underspend of £5 million. The main contributory factors being the early delivery of planned savings, which included Supporting People spend and employee costs within Transformation and Resources, and the 'one-off' underspend on Treasury Management activities, for which the re-profiling of the planned capital programme was a significant element. The table compares the Out-turn to the Budget: -

Service Spend	**Budget £ million**	**Out-turn £ million**	**Variance £ million**
Chief Executive	3.6	3.5	(0.1)
Adult Social Services	83.1	82.1	(1.0)
Children, Young People & Schools	84.8	82.4	(2.4)
Asset Management & Transport	5.5	5.4	(0.1)
Safeguarding	2.1	2.1	-
Sports & Recreation	8.8	8.5	(0.3)
Environment & Regulation	79.5	77.7	(1.8)
Housing & Community Safety	14.7	12.3	(2.4)
Regeneration	3.0	3.0	-
Directorate Support	0.1	(0.1)	(0.2)
Investment / Business Support	1.9	1.7	(0.2)
Transformation & Resources	17.3	16.5	(0.8)
Corporate Growth & Savings	(2.6)	(1.7)	0.9
To Adults / Children/s Reserves	-	3.4	3.4
Total	**301.8**	**296.8**	**(5.0)**

3.2.3 The main variations in comparing the Out-turn against the 2013/14 Approved Budget were: -

Service	**Description**	**Over Spend £ million**	**Under Spend £ million**
Adult Social Services	Community Care Additional income / funding	2.6 -	- 3.3
Children, Young People & Schools	Surestart & Children's Centres Connexions Service Universal Services Commissioned Services	- - - -	0.8 0.4 0.4 0.4
Sports & Recreation	Additional net income	-	0.3
Environment & Regulation	Parks and Countryside Increased income	- -	1.0 0.7
Housing & Com Safety	Supporting People	-	2.0
Investment / Business Support	Investment Strategy	-	0.5
Transformation & Resources	Summons costs Treasury management Employees	1.6 - -	- 2.0 0.9
Corporate Growth & Savings	Business Support and Agency Unutilised slippage funding	1.3 -	- 0.4

3.2.4 The Budget setting process for 2013/14 contained an agreement that any underspends within Adult and Children's Services would be set-aside in a reserve to offset potential shortfalls in savings to be delivered in 2014/15. Consequently £3.4 million has been set aside from the Out-turn for these services in 2013/14 to a Families and Well Being Stabilisation Reserve.

3.2.5 From the underspend, a contribution of £5 million has been made to the Council's Remodelling Reserve to provide additional funding to meet the expected costs of re-designing Council services.

3.3 Financing the Revenue Budget

3.3.1 The table summarises how the net Budget for the year was to be paid for and how this has changed as a result of the Out-turn position for the year.

Source of financing	Budget	Out-turn	Variance
	£ million	£ million	£ million
Government Grants:			
- Revenue Support Grant	107.0	107.0	-
- New Homes Bonus	2.1	2.1	-
Council Tax	111.4	111.4	-
National Non Domestic Rates	71.2	71.2	-
General Fund Balances	10.1	10.1	-
Total	**301.8**	**301.8**	**-**

3.3.2 Schools are funded primarily from the Dedicated Schools Grant. This is a grant provided by the Department for Education and can only be used to meet expenditure properly included in the Schools Budget. An element of the Grant is recouped by the Department to fund Academy Schools within the Council area. The final Grant for 2013/14 was £175.4 million (2012/13 £180.3 million). Further details can be found in note 35 to the accounts on page 110.

3.4 Balances and Reserves

3.4.1 The Council uses a localised approach to determining an appropriate level of balances. This approach takes account of the strategic, operational and financial risks being faced by the Council with particular risks relating to legislative changes, inflation and the delivery of the budget savings. The Council planned to use £10.1 million from General Fund Balances to support the 2013/14 Budget. As a result of the underspend on services and by contributing the underspend to reserves as stated in paragraph 3.2, the call on General Fund Balances in 2013/14 to support the Budget was unchanged.

3.4.2 The Council held Usable Reserves of £123.4 million at 31 March 2014 consisting of Earmarked Reserves of £83.6 million (2012/13 £64.8 million), General Fund Balances of £17.2 million (2012/13 £27.4 million), Capital Receipts of £8.8 million (2012/13 £8 million) and unapplied Capital Grants of £13.8 million (2012/13 £21.3 million). A breakdown of the Usable Reserves can be found in the Movement in Reserves Statement on page 37 with more details on the Earmarked Reserves found in note 9 to the accounts on page 68.

3.4.3 The Council also held Unusable Reserves totalling £350.9 million (2012/13 £351.8 million) at 31 March 2014. These are kept to manage statutory accounting processes and do not provide any usable resources to the Council. Further information on the Unusable Reserves can be found in note 24 to the accounts on page 94.

3.5 Reconciliation with Comprehensive Income and Expenditure Statement

3.5.1 The Net Expenditure for the year of £301.8 million shown in paragraph 3.2 above was produced using the Council's management accounting process. This differs from the Cost of Services of £275.9 million shown within the Comprehensive Income and Expenditure Statement on page 39. This difference is due to the following factors: -

- The Council's management accounting process includes the use and approved carry forward of reserves, which are included within the Movement in Reserves Statement rather than in the Comprehensive Income and Expenditure Statement.

- Adjustments also have to be made in respect of certain items that are required by the Code of Practice on Local Authority Accounting to be included within the Comprehensive Income and Expenditure Statement but excluded from Net Expenditure for the purposes of calculating the net Budget requirement to be met from taxation, general grants and General Fund balances. These items include particularly the accrual of employee absences, the recognition of capital grants, movements in the value of non-current assets, revenue expenditure funded from capital under statute and adjustments to show the cost of pension liabilities. These items are all technical accounting adjustments which are included within expenditure on services within the Comprehensive Income and Expenditure Statement to meet financial reporting requirements but are cancelled out on consolidation within the Movement in Reserves Statement because they are not costs that are met through local taxation. Note 8 to the accounts on page 63 shows the value of the adjustments between the accounting basis and funding basis under regulation.

3.6 Capital Expenditure and Income

3.6.1 The Council spends money on capital projects in accordance with the definition of capital expenditure in the Local Authority (Capital Finance and Accounting) Regulations 2003. This relates essentially to spending on assets that have a life of more than one year.

3.6.2 During the year the Capital Programme was subject to regular monitoring and review. This saw in a number of schemes being re-profiled into 2014/15 and beyond for reasons which were due to either the need to comply with the terms of any grant conditions or over ambitious original project timescales which needed to be replaced with more realistic and achievable ones as the programme progressed. A consequence of the changes was that the associated funding was also re-profiled which contributed to the 'one-off' underspend on Treasury Management referred to in paragraph 3.2.

3.6.3 In 2013/14 £25.6 million was spent on capital projects (2012/13 £33.3 million). The spending and how that spending was funded is shown in the tables:

Spend by Programme	**Actual Spend £million**	**Share %**
Invest to Save	0.4	1.6
Bids to Release Assets	0.4	1.6
Adult Social Services	0.6	2.3
Children & Young People	8.1	31.6
Regeneration	4.9	19.1
Environment	9.4	36.7
Finance	0.3	1.2
Asset Management	1.5	5.9
Total	**25.6**	**100.0**

Funding by Source	**Actual Funding £ million**	**Share %**
Borrowing	0.7	2.7
Grants	23.4	91.4
Capital Receipts	1.5	5.9
Total	**25.6**	**100.0**

3.6.4 A summary of the main spending areas and the plans: -

- Invest to Save. Schemes designed to realise future benefits including the investment in the integrated IT System for Adults and Children's Services, which commenced in 2013/14;
- Bids to release assets. The Council continues to review its assets in order to release those that are surplus to requirements. This generates capital receipts that can then be used to invest in the assets that are being retained. Schemes within the Programme include former school sites as well as Acre Lane and the former Rock Ferry High School;
- Adult Social Services. The Council is contributing towards the Learning Disabilities Extra Care Housing Scheme and this was progressed during 2013/14 with works planned for 2014/15;
- Children & Young People. Mainly covers work to schools funded by Government Grant. Pensby Primary School was completed in advance of the planned timetable and the Birkenhead Girl Academy was substantially completed. Over £3 million was invested into schools as part of the Modernisation and Improvements programmes;
- Regeneration. This includes investment to support businesses and housing related support mainly funded from Government Grant. 2013/14 saw over £2.2 million spent on Disabled Facilities Grants;
- Environment. Over £6.6 million was spent on highways infrastructure, including roads and bridges, with £1.3 million invested in the parks service to enable planned efficiencies to be delivered in a safe manner;
- Finance. Towards the end of the year the Council embarked upon a planned programme of investment into Information Technology to support the effective delivery of services;

- Asset Management. The investment into the buildings being retained, including essential health and safety improvements. This includes the Rock Ferry Centre and Wallasey Town Hall.

3.7 Income Collection

3.7.1 The Council collects income from a variety of sources, the main ones being local taxation income from Council Tax and Business Rates and Sundry Debtors.

3.7.2 Council Tax

The Council collected 95.4% of the income due in 2013/14, less than the collection rate for 2012/13 of 96.8%. The collection rate for 2013/14 was, however, higher than the target rate of 95.1% for the year. However, it is expected that over time 96.75% of Council Tax due for 2013/14 will be collected. In total £132.6 million was received during the year (2012/13 £124 million) and the Council Tax arrears totalled £16.9 million at 31 March 2014 (2012/13 £13.6 million).

The reduction in the collection rate and increase in arrears reflects the significant change through alterations to Central Government funding and the introduction of the Local Council Tax Support Scheme. This Scheme increased the numbers who have to pay Council Tax with many having to contribute for the first time. Along with the removal of a number of exemptions and discounts from Council Tax bills these changes have adversely affected the levels of collection and arrears.

3.7.3 Business Rates

Prior to 1 April 2013 Business Rates were collected by the Council and paid into a National Non-Domestic Rates Pool. In 2013/14, the payments to the Government were reduced to 50% of the projected Business Rates due for the year with the balance being retained by the Council (49%) and the Merseyside Fire and Rescue Service (1%).

The changes to the funding of local government in 2013/14 presents both the opportunity of increasing income from Business Rates and the risks of reduced collection rates passing to local authorities. The new arrangements see the Council receiving a ‘top-up’ payment from the Government because the Government formulae means that the Council’s funding from Business Rates is set at a higher level than the Council can collect itself from this source.

In 2013/14 £69.2 million was collected through Business Rates and the arrears at 31 March 2014 were £6.48million (2012/13 £6.5 million). The collection rate for 2013/14 was 96.9%, an improvement upon the 2012/13 level of 95.3%.

3.7.4 Sundry Debtors

Sundry debtors incorporate a range of fees and charges for services provided by the Council. The largest by volume relate to care related services which contributed to the high level of arrears. Actions were identified which included the potential to write-off significant sums that were deemed no longer collectable. In 2012/13 money was set aside for this purpose and in 2013/14 £2.2 million was written-off and this work remains ongoing.

During 2013/14 the Council raised over 51,000 invoices (2012/13 was 48,000) with a value of £99.6 million (2012/13 £103.1 million) and collected income of £102.1 million (2012/13 £102.7 million). This showed an improved collection performance upon 2012/13 with the arrears at 31 March 2014 being £23.5 million (2012/13 £30.0 million).

4. BALANCE SHEET

4.1 The Balance Sheet at 31 March 2014 shows a Net Asset position of £105.1 million (2012/13 £1.3 million). The net worth of the Council, excluding the Pensions Liability is £474.1 million (2012/13 £473.3 million).

4.2 The most significant item in the Balance Sheet is the requirement for the Council to recognise its estimated Pension Liability within its Balance Sheet. This is valued using an actuarial valuation and can fluctuate dependent upon external factors. For 2013/14, the Pension Liability recognised amounted to £369 million (2012/13 £472 million). Details of the Pensions Liability can be found in note 45 on page 123 and is referred to below in the section on Retirement Benefits.

4.3 **Summary of the Balance Sheet**

	March 2013 £ million	March 2014 £ million
Long Term Assets		
Property and Other	658.9	638.7
Long Term Investments	14.1	2.0
Long Term Debtors	59.0	54.9
Long Term Assets	**732.0**	**695.6**
Current Assets and Current Liabilities		
Current Assets	107.1	119.1
Current Liabilities	(87.2)	(77.8)
Net Current Assets	**19.9**	**41.3**
Long Term Liabilities		
Borrowing	(214.2)	(201.3)
Other Long Term Liabilities	(528.3)	(423.0)
Provisions and Capital Grants	(8.1)	(7.5)
Long Term Liabilities	**(750.6)**	**(631.8)**
Net Assets	**1.3**	**105.1**

Property and Other Assets

4.4 The revaluation of property, plant and equipment must now take place with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of the financial year. In total the Council had an asset portfolio valued at £638.7 million at 31 March 2014 (2012/13 £658.9 million). The value of the Council's assets is reduced as school assets are transferred to Academies for no financial return when they become independent of the Council. A breakdown of the value of the asset portfolio is provided in notes 13 to 16 to the accounts on pages 75 to 85.

Investments

4.5 Total investments at 31 March 2014 were £29.2 million (2012/13 £57.7 million). The majority of investments, £27.2 million, are on a short-term basis with financial institutions. Throughout 2013/14, as in previous years, the over-riding approach was one of security and liquidity with reduced investment returns being the acceptable consequence of this approach. The investment income during the year totalled £0.58 million with an average rate of return of 0.5% (2012/13 £1.1 million at an average rate of 0.8%).

Debtors

4.6 Debtors are classified as long-term or short-term debtors and the balance at 31 March 2014 was £105.9 million (2012/13 £102.7 million). The long-term debt includes £54.6 million in respect of the former Merseyside County Council, which is managed by Wirral Council (2012/13 £59.5 million). A breakdown of the debtor balances can be found in notes 18 and 42 to the accounts on pages 89 and 121 respectively.

Creditors

4.7 Creditors at 31 March 2014 were £58.0 million (2012/13 £46.2 million). A breakdown can be found in note 21 to the accounts on page 90.

Borrowing

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

4.9 In managing debt the aims are to reduce the overall exposure to interest rate movements, to lower long-term interest charges paid and smooth the maturity profile without compromising longer-term stability. The present economic position makes debt rescheduling unlikely in the short-to-medium term.

4.10 At 31 March 2014 long-term borrowing totalled £201.3 million (2012/13 £214.2 million). This debt was with financial institutions and the Public Works Loans Board with repayments 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 within the former Merseyside County Council area.

Retirement Benefits

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

4.12 The majority of non-teaching staff who work for the Council are members of the Merseyside Pension Fund. This Fund is administered by Wirral Council on behalf of all of the Merseyside Councils as well over 120 other employing organisations. The figures included in the Statement of Accounts are based on the latest full valuation of the scheme as at 31 March 2013 and the IAS 19 actuarial report as at 31 March 2014 and presented by Mercers, the independent firm of actuaries who value the Fund.

4.13 The actuaries have estimated the Council's underlying long-term commitment to pay retirement benefits to be £369 million at 31 March 2014 (2012/13 £472 million), which is a reduction of £103 million from 31 March 2013. This change has primarily resulted from the improved performance of the financial markets, both nationally and globally, and is expanded upon in the Merseyside Pension Fund Accounts contained within this Statement and the Merseyside Pension Fund Annual Report.

4.14 The recognition of this Pension Liability in the Council accounts has a substantial effect on the net worth of the Council and it is important to note that this change reflects the actuarial valuations and is not an immediate demand upon the Council's resources. The statutory arrangements for funding the deficit will see the deficit made good by increased contributions over the remaining life of working employees as assessed by the scheme actuary. The contributions are reviewed every three years as part of the triennial revaluation of the Pension Fund and an investment strategy is then determined, which aims to recover the deficit over a stated period (presently 25 years). Funding from the Council is only required to cover discretionary benefits when the pensions are actually paid.

4.15 Teachers employed by the Council are members of the teachers' pension scheme. The Department for Education administer this scheme and it is not possible for the Council to identify its share of the underlying scheme liabilities, which is therefore not reflected in the Council's Balance Sheet. 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.

4.16 With effect from 1 April 2013, the Council assumed responsibility for Public Health Services. Staff transferred to the employment of Wirral Council but remained members of the Pension Fund administered by the National Health Service. It is not possible for the Council to identify its share of the underlying scheme liabilities of this Pension Fund and therefore this is not reflected in the Council's Balance Sheet.

Net Assets

4.17 The Net Assets of the Council are held in the Usable or Unusable Reserve balances within the Balance Sheet (see also paragraphs 4.1 and 4.2 above). Usable Reserves can be applied, subject to any statutory limitations on their use, to fund revenue or capital spending. Unusable reserves are not available to fund services and include the Pensions Reserve which reflects the changes to the net defined benefit liability (see note on Retirement Benefits) and the Capital Adjustment Account, which includes both the value of assets written-off on disposal or sale and the value of school assets transferring to Academies.

4.18 The Usable Reserves are regularly reviewed to assess whether they are adequate for the purpose intended and whether the sums involved are still required. At 31 March 2014 the major usable reserves were in respect of School balances £11.7 million (2012/13 £11.9 million), which are ring-fenced for use by schools only, Remodelling the cost of Council Services £14.1 million (2012/13 £ nil), Housing Benefit £6.9 million (2012/13 £10.2 million) and the Insurance Fund £9.1 million (2012/13 £5.9 million).

5. CASH FLOW STATEMENT

5.1 The Statement shows the changes in cash and cash equivalents of the Council during the financial year.

6. COLLECTION FUND

6.1 This Fund is maintained separately from the Council's General Fund to specifically record income and expenditure associated with Council Tax and National Non Domestic Rates (Business Rates). 2013/14 was the first year of the new Business Rates Retention scheme. Under the scheme rate income is collected and apportioned between Wirral Council (49%), Merseyside Fire and Rescue Service (1%) and Central Government (50%). The introduction of this scheme has had a significant effect on the balance held in the Collection Fund.

6.2 During 2013/14 the Fund showed a deficit of £2.3 million for the year (2012/13 £0.1 million) and the accumulated year-end balance at 31 March 2014 was a deficit of £1.8 million (2012/13 a surplus of £0.5 million). More detail is contained in the Additional Statement - Collection Fund Income and Expenditure Account on page 141.

7. MERSEYSIDE PENSION FUND

7.1 The Fund is administered by Wirral Council and reported and audited separately but forms part of the Council's Statement of Accounts. Further information can be found within the Additional Financial Statements, from page 148, and also in the Merseyside Pension Fund Report and Accounts 2013/14.

8 FUTURE DEVELOPMENTS

8.1 Public sector spending has reduced significantly since 2010, presenting an unprecedented financial challenge to local government. The Autumn Statement 2013 set out the vision for public spending beyond 2015/16 and the Government remains committed to eliminating the national budget deficit. The associated Government policies introduced to achieve this aim will continue to see further public sector spending reductions and changes to tax revenues whilst being influenced by the performance of the economy.

8.2 The Council's Medium Term Financial Strategy for the next three years has therefore been produced against a difficult financial picture. The UK economy performed better than predicted during 2013 and recent announcements have indicated that growth will continue to be strong in 2014. However the Government has indicated that the level of support for local government will continue to reduce significantly.

8.3 The Local Government Finance Settlement 2014/15 gave indicative Government Grant allocations for 2015/16 but there have been no formal announcements beyond 2015/16 so it is not known how further reductions in public sector and central government spending will affect local government.

8.4 Based upon the information presently available the Medium Term Financial Strategy for the period 2015/16 to 2016/17 shows a gap between planned spend and likely resources of around £45 million. The indicative position for 2017/18 adds a further £25 million to the gap. There will be further difficult decisions around the provision of services and the priorities of the Council over the coming years as further proposals are developed to bridge this gap. Under these circumstances it is likely that previously unpalatable decisions will be required to be taken.

8.5 The actions will involve looking at options for commissioning services, integrating services with others and stopping services that do not align with Council priorities or which cannot be afforded. The Future Council Programme is in progress to ensure services are aligned with absolute priorities, optimise delivery models and maximise efficiency. This includes making best use of the resources available and building upon the changes to the financing of local government that has brought opportunities as well as risks. Progression of developments such as Wirral Waters bring employment and potential income through Business Rates, The transfer of Public Health brings opportunities for greater integration with other services and improved outcomes for residents. Managing demand for public services is a key aspect of the Future Council as is the need to become more commercially focused.

9. SUMMARY

9.1 The Statement of Accounts provides information about the Council's expenditure and income for the year and its overall financial position at the end of the financial year. It is a key element in reporting how Council finances have been managed.

9.2 The Council successfully managed its finances during 2013/14 with the progression of savings and 'one-off' benefits contributing to an underspend of £5 million in the year. General Fund Balances are at the level assessed as being required based upon local circumstances and Reserves include over £14 million to support the delivery of the Future Council Programme.

9.3 The Council agreed its Budget for 2014/15 in February 2014. This saw no increase in Council Tax levels from 1 April 2014 and included a package of savings and efficiencies totalling over £37 million for 2014/15 with a further £20 million agreed for 2015/16. In terms of the Capital Programme the Council is looking to realise over £20 million from the sale of surplus assets over the next 2 / 3 years. These receipts will support future investment reducing the need to borrow and the impact upon the Budget.

9.4 Looking to the future the Medium Term Financial Strategy for 2015/16 to 2016/17 has identified a gap between planned spend and likely resources of £45 million. A further year of projections for 2017/18 indicates an additional gap of £25 million. The Council is responding to this challenge through the Future Council Programme that will require the taking of difficult decisions about which services are delivered and how they are delivered.

9.5 Wirral Council has undergone significant changes in the last three years. These Accounts indicate that the financial position is robust with good resilience in place to meet the risks associated with increasing financial pressures. However the scale of the challenge, and Government funding reductions, means further change is inevitable as the Council seeks to ensure delivery of its objectives within the available resources and re-thinks what can be achieved from the public purse.

9.6 The financial monitoring arrangements will continue to see regular update reports presented to Cabinet throughout the year. It is important that we manage both the short-term in-year issues whilst ensuring that there is a focus on the Medium Term Financial Strategy and resolving the funding shortfall in future years. Forecasts will be updated as further information becomes available and kept under regular review.

Vivienne Quayle,
Director of Resources
30 June 2014

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:-

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. The responsible officer is designated as the Chief Financial Officer, or equivalent. In this Council, that officer is the Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Chief Financial Officer’s Responsibilities

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

In preparing this Statement of Accounts the Chief Financial Officer has:-

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

The Chief Financial Officer has also:-

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

The Statement of Accounts presents a true and fair view of the financial position of Wirral Council at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

Tom Sault
Head of Financial Services
Deputy Section 151 Officer
29 September 2014

Approval of the Accounts

The Statement of Accounts was considered by the Audit and Risk Management Committee on 17 September 2014.

Councillor Jim Crabtree
Chair of the Audit & Risk
Management Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Wirral Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Wirral Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Wirral Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Wirral Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Wirral Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Michael Thomas

Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building
Liverpool
L3 1PS

29 September 2014

The signed version of this report is available from the Director of Resources for Wirral Council, PO Box no.2, Treasury Building, Cleveland Street, Birkenhead, Wirral CH41 6BU

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL

Opinion on the Merseyside pension fund financial statements

We have audited the Merseyside pension fund financial statements of Wirral Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The Merseyside pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Wirral Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Director of Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the Merseyside pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Merseyside pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Foreword and Financial Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Merseyside pension fund financial statements

In our opinion the Merseyside pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the foreword and financial report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Mike Thomas
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

25 September 2014

The signed version of this report is available from the Director of Resources for Wirral Council, PO Box no.2, Treasury Building, Cleveland Street, Birkenhead, Wirral CH41 6BU

ANNUAL GOVERNANCE STATEMENT 2013/14

1. Scope of Responsibility

Wirral Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, 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.

In discharging this overall responsibility, including as accountable body for the Merseyside Pension Fund, 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 activities for the management of risk.

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 authority's code is available 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 Accounts and Audit (England) Regulations 2011, regulation 4 (3), which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled, together with the activities through which it accounts to, engages with and, where appropriate, 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.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It can not eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wirral Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Wirral Council for the year ended 31 March 2014 and up to the date of approval of the annual statement of accounts.

3. Progress made during 2013/14

The Council made significant progress during 2013/14 to address weaknesses in its governance arrangements. This progress is evidenced through the withdrawal of the Wirral Improvement Board in November 2013 based on the rapid progress the Council made to tackle some of its most significant challenges and implement the recommendations made by the Improvement Board.

The improvements were endorsed by the Improvement Board and are regarded as an example of best practice for sector led improvement. Eighteen months after the Wirral Improvement Broad was established in partnership with the LGA, board members who provided advice and oversight of Wirral's improvement journey reported that sector-led improvement had “transformed” the Council to one that was ‘stable, well-led and far more inclusive’.

The 2012/13 annual governance statement identified fifteen significant issues relating to the Council's governance arrangements. An action plan was developed to ensure implementation of key recommendations that is monitored on a regular basis by Internal Audit with a regular report provided to the Council's senior management team.

The monitoring of the action plan demonstrates that significant progress has been made during the year to address important governance issues. Eight governance issues have been completed or significant progress has been made during 2013/14; these include improvements to governance arrangements, information assets, procurement, debt, freedom of information requests, managing workforce costs and business planning.

Progress has been made on a further four issues which were identified as significant in the 2012/13 Annual Governance Statement, however further actions are required in relation to risk management, embedding policies for confidential reporting and grievances, responsibilities in relation to contract procedure rules and ensuring the Council maintains an up to date partnership register. Actions in relation to these issues will continue to be monitored however on the basis of the progress made they are no longer considered to be significant.

There are three governance issues which are considered to continue to be significant and have therefore been included in the 2013/14 statement to ensure that they are addressed. These are regularly reported to senior management and elected members. These issues relate to essential training for staff, asset management and absence management. An overview of the progress that has been made on these issues and future planned activity is provided at appendix 1.

4. The Governance Framework

The CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’ identifies six key principles of governance best practice.

Wirral Council's governance environment is consistent with these six core principles. Key areas of assurance of the systems and processes which comprise the Council's governance arrangements are as follows:

Principle 1: **Focussing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.**

The Council can demonstrate that it is focussing on outcomes for the community and on a longer-term vision for the area. The Council agreed a new three-year corporate plan setting out a clear vision and set of priorities to guide the allocation of the Council's resources.

"Wirral will be a place where the vulnerable are safe and protected, where employers want to invest and local businesses thrive, and where good health and an excellent quality of life is within the reach of everyone who lives here.

"We pledge to support this vision and serve our residents, by further improving our organisation and becoming the outstanding Council that the people of Wirral deserve."

The Council's vision is underpinned by the following priorities which were subject to extensive consultation with local residents:

- Protect the vulnerable in our borough
- Tackle health inequalities
- Drive growth in our economy

The Council has demonstrated strengthened financial management through its delivery of the challenging budget set for 2013/14 which included £48 million savings. £36 million savings have been agreed for 2014/15, with a balanced budget achieved. The early decisions made in December 2013 have placed the Council in the position of being able to implement and realise these savings during the 2014/15 financial year.

As part of the budget-setting process for the next two years, in January 2014 Wirral began on an ambitious programme of transformation designed to identify £45m of savings and completely remodel the authority in line with the organisation's values. The Future Council programme is designed to review all services to ensure that they deliver the Corporate Plan vision and meet the needs and outcomes of Wirral's community, whilst at the same time identifying the savings that the Council must make in future years. Challenge has been embedded at all stages of the Future Council programme through external expertise to ensure that the Council's transformation plans are robust to identify the required savings the Council must deliver.

A business planning framework and performance management policy have been finalised and approved by Chief Executive's Strategy Group. The Council's directorate plans were reviewed and refreshed for 2013/14 to reflect the corporate plan priorities and the Council's vision. The Chief Executive's Strategy Group review performance of the Corporate Plan on a monthly basis with regular reports also provided to our Member led Policy and Performance committees.

A new performance appraisal process has been undertaken for senior managers and will be rolled out during 2014/15 to all staff with targets set for completion agreed by Chief Executive's Strategy Group.

The Council is working closely with its partners to establish a long term vision for the borough through the Public Service Board. The Board meets regularly to discuss issues relevant to a wide range of public sector partners, including service redesign and improved integration.

The Council has a partnership register and toolkit in place and a comprehensive review of partnerships has been completed and reported to the Public Service Board in October 2013. This review will inform a revised partnership register to ensure that it remains up to date and fit for purpose.

In 2013, Wirral was selected as one of nine areas to participate in the Public Service Transformation Network to deliver a multi-agency approach to public service reform.

The Council is working closely with partners through the Health and Wellbeing Board to develop a Vision 2018 approach for health and social care integration.

On 1st April 2014 Wirral joined the five other Merseyside local authorities to form Liverpool City Region Combined Authority to promote the economic development of the region, draw down support from central government and European funding streams and work in a targeted and integrated fashion on transport-related initiatives. Wirral's Council Leader Phil Davies was chosen as the first Chair of the Combined Authority.

Principle 2: **Members and officers working together to achieve a common purpose with clearly defined functions and roles.**

Ensuring that members are fully engaged in working together to deliver the transformation of the Council has been a key focus for the organisation. During 2013/14 the Council has held a series of improvement and transformation sessions, including an all member event in November 2013, which provided representatives from all parties with an opportunity to discuss and debate the Council's Corporate Plan before it was approved by Council.

The Council's Constitution has been reviewed and a revised version agreed and adopted by the Council in April 2013, ensuring that it remains lawful and fit for purpose and introduces a new scheme of delegation and member/officer protocols that clarify the boundaries between Member and Officer roles and responsibilities. The Council's Constitution sets out a Code of Conduct for Members and Officers to ensure there is clear accountability and clarity.

Three Policy and Performance Committees are in place aligned to the three strategic directorates, and supported by a team of dedicated Scrutiny officers. The Committees have clear responsibilities to inform policy development and to enable pre-scrutiny of decisions within the remit of the strategic directorate. A Co-ordinating Committee is responsible for overseeing arrangements and allocating cross cutting activities.

Member surveys carried out in early 2014 gave all councillors the opportunity to comment on changes to the Constitution and committee structures, as well as cultural issues related to individuals' responsibilities to treat each other with respect and promote high standards of political conduct. The survey attracted a strong two-thirds, cross-party return and all proposed amendments to the Council's Constitution were supported by the majority of respondents.

The findings of the surveys were discussed by the Standards Working Group and reported to the Standards and Constitutional Oversight Committee in February 2014 with all party support for the recommended amendments to the Constitution. Subsequent work will focus on developing an agreement between officers and members in order to positively impact on joint working.

The Leader of the Council has reviewed his Cabinet portfolios to highlight the role of Cabinet in promoting and delivering the Council's new corporate plan and its budget, and to ensure that Cabinet Members champion and deliver activities which will result in transformed service areas and create a Council fit for the future. The portfolios now include a revised Governance, Commissioning and Improvement portfolio which is held by the deputy leader and includes a strengthened focus on governance and compliance.

Portfolio briefings are working effectively to ensure that Cabinet Members and Strategic Directors meet on a regular basis to discuss items relevant to the portfolio area including performance of services, budget and risk management issues. Dedicated planning sessions take place with Cabinet and Chief Executive Strategy Group to develop the future direction of the Council.

***Principle 3:* Promoting the values of the Authority and demonstrating the values of good governance through behaviour.**

During 2013/14, Wirral Council completed a process of sector-led improvement in partnership with representatives of the Local Government Association to address specific issues around corporate governance, including the need to agree a clear framework to deliver the Council's vision supported by strategic financial planning.

At its meeting of 29th November 2013, the Improvement Board considered a wide range of evidence including how the Council had addressed weaknesses in leadership, governance and decision-making and concluded that the Improvement Board was no longer required as the Council has the capability and capacity to manage its own improvement process. The Council invited the board back to a meeting in March 2014 to demonstrate the further progress that had been made to define the future shape of Council services, address significant financial challenges and strengthen decision making.

The Code of Corporate Governance together with evidence supporting compliance was considered by the Audit and Risk Management Committee and has been incorporated into the Council's Constitution and further work is now being undertaken to fully communicate the Code of Corporate Governance to Elected Members and the Council's workforce.

The Council's Constitution sets out a Code of Conduct for Members to ensure there is clear accountability and clarity.

The Council has refreshed its grievance and confidential reporting policies and the Council has launched a new intranet which gives prominence to these policies and others including information security.

Work has also been undertaken with staff across the organisation to develop the Council's new organisational values of integrity, efficiency, confidence and ambition. These will help inform and shape how staff across the Council delivers services to Wirral residents, businesses and other stakeholders.

Principle 4: **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

Cabinet has formally adopted a Corporate Risk Management policy setting out clear roles, responsibilities and reporting lines within the Council. The strategy gives a detailed analysis of the role every officer and member of Wirral Council has to play in managing risk, and aims to turn the authority from risk averse to risk aware, incorporating risk management considerations into Service and Business Planning, Commissioning, Project Management, Partnerships, Alternative Service Delivery Vehicles & Procurement Processes.

The Council has developed new procedures for managing risk and ensuring effective scrutiny via its new constitutional working arrangements. Clear roles and responsibilities are set out in the Council's Corporate Risk Management policy and governance issues are routinely reported to Chief Executive's Strategy Group and regularly presented to the Audit and Risk Management Committee for their review of assurance requirements.

The Audit and Risk Management Committee also has responsibilities to oversee and agree appropriate robust arrangements for Financial Regulations and Contract Procedure Rules. In September 2013, the Committee has agreed a revised set of contract procedure rules and financial regulations to ensure transparent and robust arrangements are in place.

Plans are also in place to strengthen the independent nature of the Audit and Risk Management Committee through the appointment of a majority of external members. Role and person descriptions have been developed for the co-opted members, describing their key roles and responsibilities, duties they will be expected to undertake and a detailed list of criteria including relevant experience, required education or training attainments, knowledge, skills and abilities.

During 2013/14 the Council also established a Commissioning and Procurement Board which includes representation from the three strategic directors to provide the strategic direction for ensuring that the Council is commissioning and procuring services that are delivered in accordance with the authority's objectives and represent the best use of resources and provide value for money. The deputy leader holds the portfolio for Governance, Commissioning and Improvement and reports to Cabinet and Council on a regular basis regarding matters within the portfolios responsibilities.

The Council has made considerable progress during 2013/14 in the implementation of External Audit recommendations outlined in the 2012/13 financial resilience report. It is anticipated that this progress will be reflected through a more positive VFM conclusion in the 2013/14 financial resilience report.

The Council is the administering authority for the Merseyside Pension Fund which received an unqualified audit opinion in 2012-13 for its accounts on the basis that the financial statements and supporting working papers were prepared to a good standard. This demonstrates that effective arrangements are in place.

Principle 5: **Developing the capacity and capability of members to be effective and ensuring that officers, including statutory officers, also have the capability to deliver effectively.**

Chief Executive Strategy Group continues to provide the strategic direction for the delivery of the long-term vision of the Council, working closely with the Council's administration. Appointments to permanent statutory posts are complete providing a stabilised management team for the Council.

The Authority offers members, including the newly elected, a programme of training covering the Code of Corporate Governance, Whistle-blowing, Safeguarding, Organisational Excellence and Risk Management, as well as Personal Development opportunities and Leadership. These sessions are supported by North West Employers, the Centre for Public Scrutiny and the Local Government Association.

Work has also been undertaken with elected members to agree standards and behaviours and ensure engagement with changes to the Council's Constitution, oversight and scrutiny.

The Council has launched its Leadership Development Programme for senior managers from across the organisation which focuses on the Wirral vision, leadership in a changing context, and how to apply their learning in the leadership of the organisation.

Two Cohorts of Change Agents have been trained to drive change across the organisation. The agents are helping to support change initiatives within their departments, attending and delivering key change messages at team meetings and supporting senior manager briefings.

The Council also has a 'Skills for Wirral' training and development programme for managers and employees with regular sessions held every month on subjects including demystifying stress, resilient leadership, coaching skills and Wellness and Recovery Action Planning.

An essential 'Wirral Management Development Programme' is in place to provide all managers with the learning, development and support they need. The Framework has nine essential modules which contain a mixture of workshops and e-learning modules. A calendar of upcoming training sessions is advertised prominently on the new intranet. Work is still required to ensure that essential training is carried out throughout the organisation.

Principle 6: **Engaging with local people and other stakeholders to ensure robust local public accountability.**

As set out in the Corporate Plan 2013/16, the Council is committed to engaging and empowering individuals and communities in both the design and delivery of local services. The Council's major budget consultation initiative 'What Really Matters' provided the opportunity to ask local residents, staff and stakeholders for their views on the Council's future priorities and proposals for where the Council could deliver savings. Over 6,000 responses were received on a range of budget options during a 12-week consultation process and in December 2013, the results of the consultation were reported to Cabinet for recommendations to be approved at Council. The consultation achieved amongst the highest levels of participation in the UK compared to similar exercises and informed the decisions recommended for approval by Council.

The Council is moving forward with its plans for Neighbourhood Working via four constituency areas which are designed to bring communities closer to the decision-making process and to enable services to be offered in a targeted way. All elected members are represented on the four constituency committees which held their inaugural meetings in Autumn 2013. Constituency Managers have been appointed to work in partnership with the Police, Fire and Rescue, Health and social care sectors. Each constituency committee has been funded with an initial 'start up' grant and the Council is currently reviewing which services will be devolved to the constituency areas.

5. Review of Effectiveness

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 Internal Audit and the Chief Internal Auditor's Annual Report; findings and reports issued by the external auditors and other review agencies and inspectorates; and feedback and comments provided by Chief Officers and managers within the Authority who have responsibility for the development and maintenance of the governance environment.

On the basis of the programme of work undertaken, the Chief Internal Auditor has concluded that there is a substantively sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently.

Corporate Management Assurance

The Council's Chief Executive Strategy Group has managed the development of the Annual Governance Statement to ensure a high level of corporate engagement and ownership. A quarterly review of performance management, audit and risk takes place to review and consider emerging governance issues and ensure that appropriate action is in place.

A Corporate Governance Group is also established and led by a Strategic Director with strategic leads for Performance, Risk, Internal Audit, Improvement and Strategy to ensure it has an appropriate profile within the organisation and significant governance issues are responded to in a timely manner.

Arrangements are in place to ensure the Head of Paid Service and Monitoring Officer role and functions are discharged effectively and these functions are set out in the Council's Constitution. This ensures that there is compliance with relevant laws and regulations and internal policies and procedures.

The Council complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010 and the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations 2010.

Council

Council sets the authority's overall policies and budget each year and holds the Cabinet to account. Annual Policy Council meets in November to discuss, debate and further shape the future purpose of the organisation and its response to key national and local drivers. Policy Council plays a direct role in informing the annual review of the Corporate Plan and future savings for the Council.

Cabinet

Cabinet has a leading role in ensuring good governance arrangements are in place to drive forward transformation and improvements across the Council. The deputy leader holds the Governance, Commissioning and Improvement portfolio to ensure that there is a strong and robust leadership approach to governance and compliance across the organisation.

Audit and Risk Management Committee

The Council's Audit and Risk Management Committee provides independent assurance and scrutiny of the Council's financial and non-financial performance, including an assessment of the adequacy of the Council's risk management arrangements.

Standards and Constitutional Oversight Committee

The Standards and Constitutional Oversight Committee is responsible for keeping the Council's constitutional arrangements under review and making recommendations to the Council for ways in which the Constitution should be amended in order to better achieve its purposes. The Committee also oversees and agrees minor changes to the Council's constitutional arrangements as recommended by the Monitoring Officer.

Merseyside Pension Fund

Wirral Council is also the administering authority for the Merseyside Pension Fund which publishes its own statement of accounts on an annual basis and includes a "Governance Compliance Statement". The statement outlines compliance to industry specific governance principles.

6. Significant Governance Issues

The following governance issues have been identified as 'significant' during 2013/14 and will be addressed during 2014/15 through appropriate actions.

- ICT Business Continuity and Disaster Recovery Plans
- Corporate Procurement Arrangements
- Absence Management **(carried forward from 2012/13)**
- Asset Management **(carried forward from 2012/13)**

- Essential Management Training **(carried forward from 2012/13)**

Issues identified in this statement are already being addressed through robust and planned activity. Over the coming year we will continue to ensure that these actions continue to be delivered to further enhance our governance arrangements, and ensure that we are satisfied that they will address the improvements required.

The Council will monitor their implementation and operation as part of our next annual review.

Signed: __________________________ Date: ____________

Chief Executive

Signed: __________________________ Date: ____________

Leader of the Council

Appendix 1 – Significant Governance Issues 2013/14

Governance Issue identified	Progress and Planned Activity	Lead Officer
Internal Audit identified during 2013/14 that the Council's overarching business continuity arrangements are not robust and that business resilience may be susceptible due to not having in place: i) up to date and effective ICT business continuity plans, and ii) ICT disaster recovery plans which reflect the business critical service requirements as documented in Corporate, Departmental and/or Service business continuity plans.	Significant work to improve the resilience of the IT service is underway and contained within the overall IT programme plan. Overall IT business continuity arrangements have improved over recent months. Existing IT business continuity/disaster recovery plans will be updated once a number of key improvements have been fully implemented. Examples of recent improvements include: 1. Improved offsite backup facilities which will enable faster recovery in the event of major failure. 2. Regular (monthly) business continuity testing, consisting of limited transfer of systems from one data centre to the other. 3. Partial implementation of 'virtualisation' and 'site recovery manager' software which will improve the council's ability to recover in the event of system failure. 4. Improved power and telecom resilience at 4 major sites. In addition further work is underway/currently being planned to improve IT business continuity. These include: a. Review of current data centre provision, with an options appraisal document due to be complete by the end of September and presented to senior management for consideration. b. A wide area network tender exercise is reaching its conclusion. The new network will be rolled out over the next 12 months. Limited resilience improvements will take place (subject to normal cost constraints). c. Rollout of new laptops across key parts of the council will allow anytime anywhere working, which again will enhance the business continuity in the event of major building specific incidents. d. Purchase of new storage device devices is underway which	Head of IT Services / Director of Resources Assistant Chief Executive / Head of Universal Services & Infrastructure Services / Senior Manager – Health, Safety & Resilience

Governance Issue identified	Progress and Planned Activity	Lead Officer
	will further enhance IT resilience. e. The business owners of the priority systems are due to commence Business Impact Assessments shortly, from which further improvement areas will be identified, and the IT plans updated accordingly. There is a continuous improvement programme currently underway, which is expected to last around 12 months subject to the outcome of key decisions regarding the data centre provision.	
Internal Audit identified during 2013/14 that the Council has significant weaknesses in relation to its corporate procurement arrangements including the process required to ensure all formal tender exercises are promptly progressed to completion with a formal contract drawn up and signed / sealed accordingly.	Arrangements, including training for key Legal staff members, are in place with regards to the use of the Council's CHEST system as the Council's Central Contracts Register. This will enable more robust arrangements to be established for the drafting, agreement and execution of contracts. The Council is taking the following actions to address this governance issue: ▪ Review the contract procedure rules and ensure they are fully embedded across the organisation ▪ Fully implement a disciplined and corporate approach to procurement through category management, reducing manual invoicing and rationalising procurement activity ▪ Identify an effective approach to achieve maximum advantage from a centralised approach and move towards "no purchase order, no pay".	Strategic Director – Transformation & Resources

Significant Governance Issues carried forward from 2012/13

Governance Issue identified	Progress and Planned Activity	Lead Officer
The Annual Governance Statement 2012/13 identified that absence monitoring statistics revealed a calculated year end figure of 10.28 days against a target of 9.5 days. This remained a high position in comparison with other Councils and additional short term resources have been added within Human Resources to review all long-term cases and to work with managers to ensure there is an action plan in place and that cases are managed appropriately in accordance with policy.	The target for sickness absence for 2014/15 is 9.75 days per person. The latest figures show 2.14 days, compared to a target for this point in the year of 2.49. This leads to a year-end forecast figure of 8.39 days. It is important that focus is maintained so as to sustain this improvement. The introduction of a new performance report has improved the targeting of resources and management action and support, and Strategic Directors are leading this through management meetings.	Head of Human Resources and Organisational Development
The Annual Governance Statement 2012/13 identified that Asset Management was in a position of constant change of policy and priorities during the 2012/13 year. It is important in order to obtain maximum benefit from its property assets that the Council focuses on a clear policy and strategy, fees and charges are regularly reviewed, updated and income monitored, and a clear separation of duties and evidence trail exists regarding valuations.	A new, draft Asset Management Plan has been produced, consulted on within the council and will be presented to Cabinet in June 2014. Following approval of this document, work will progress on a suite of sub-documents in relation to specific asset issues and policies. A new form of consultation with the community and partners in relation to asset matters is being trialled in Moreton. The intention is to secure greater involvement and improve communications with regard to asset issues. The trial will be evaluated and a decision taken on whether to extend to other areas. Work is proceeding in terms of disposal of surplus assets and a total of £2.5m was raised through disposals in 2013/14, ahead of	Assistant Chief Executive / Head of Universal & Infrastructure Services

Governance Issue identified	Progress and Planned Activity	Lead Officer
	the target figure. Work is proceeding on the disposal of the first of three major sites, the Acre Lane Centre, with staff re-location underway. The office rationalisation project, which will continue over the next two years has begun with staff being re-located within Wallasey Town Hall, Cheshire Lines and Birkenhead Town Hall, starting a process of having more staff in fewer locations, to generate savings. Appropriate desking to support replacement IT and telephone equipment is being implemented on a phased basis. A specialist company has been appointed to deal with the disposal of the large sites identified in a report to Cabinet in November 2013 which will provide the Council with substantial Capital receipts which will form part of the Council's Capital Programme.	
The Annual Governance Statement 2012/13 identified that mandatory training across the Council has proved difficult to monitor and control. It is important that any training requirements deemed to be mandatory, such as Equalities and Diversity, should be communicated to and undertaken by all employees, including officers who do not have computer access.	Significant improvements have been made around accountability and ownership for the completion of mandatory training, including the consideration of regular monitoring reports by the Chief Executive's Strategy Group and reinforcement of key messages via Heads of Service.	Head of Human Resources & Organisational Development

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Core Financial Statements

MOVEMENT IN RESERVES STATEMENT

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

2012/13 re-stated	General Fund Balance	Ear-marked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	**20,817**	**86,248**	**9,237**	**31,385**	**147,687**	**(64,079)**	**83,608**
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	(26,862)	-	-	-	(26,862)	-	(26,862)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(55,453)	(55,453)
Total Comprehensive Income and Expenditure	**(26,862)**	**-**	**-**	**-**	**(26,862)**	**(55,453)**	**(82,315)**
Adjustments between accounting basis and funding basis under regulations (Note 8)	11,984	-	(1,214)	(10,037)	733	(733)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(14,878)**	**-**	**(1,214)**	**(10,037)**	**(26,129)**	**(56,186)**	**(82,315)**
Transfers to/from Earmarked Reserves (Note 9)	21,472	(21,472)	-	-	-	-	-
Increase/ Decrease in 2012/13	**6,594**	**(21,472)**	**(1,214)**	**(10,037)**	**(26,129)**	**(56,186)**	**(82,315)**
Balance at 31 March 2013	**27,411**	**64,776**	**8,023**	**21,348**	**121,558**	**(120,265)**	**1,293**

2013/14	**General Fund Balance**	**Ear-marked General Fund Reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2013	**27,411**	**64,776**	**8,023**	**21,348**	**121,558**	**(120,265)**	**1,293**
Movement in reserves during 2013/14							
Surplus or (deficit) on the provision of services	(48,621)	-	-	-	(48,621)	-	(48,621)
Other Comprehensive Income and Expenditure	-	-	-	-	-	152,438	152,438
Total Comprehensive Income and Expenditure	**(48,621)**	**-**	**-**	**-**	**(48,621)**	**152,438**	**103,817**
Adjustments between accounting basis and funding basis under regulations (Note 8)	56,887	-	766	(7,146)	50,507	(50,507)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**8,266**	**-**	**766**	**(7,146)**	**1,886**	**101,931**	**103,817**
Transfers to/from Earmarked Reserves (Note 9)	(18,854)	18,854	-	-	**-**	-	-
Transfer from Capital Grants Unapplied	376	-	-	(376)	**-**	-	-
Increase/ Decrease in 2013/14	**(10,212)**	**18,854**	**766**	**(7,522)**	**1,886**	**101,931**	**103,817**
Balance at 31 March 2014	**17,199**	**83,630**	**8,789**	**13,826**	**123,444**	**(18,334)**	**105,110**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2012/13 Restated				2013/14		
Gross Exp-enditure	Gross Income	Net Exp-enditure		Gross Exp-enditure	Gross Income	Net Exp-enditure
£'000	£'000	£'000		£'000	£'000	£'000
			Continuing Operations			
39,473	33,453	6,020	Central services to the public	6,922	2,687	4,235
38,299	10,805	27,494	Cultural and related services	35,856	6,465	29,391
12,928	5,178	7,750	Planning services	11,272	3,503	7,769
28,148	6,954	21,194	Environmental and regulatory services	27,563	8,788	18,775
320,940	250,244	70,696	Education and children's services	334,477	236,844	97,633
20,191	3,719	16,472	Highways and transport services	17,267	4,246	13,021
160,945	144,656	16,289	Other housing services	160,071	144,709	15,362
124,659	40,449	84,210	Adult social care	115,903	31,639	84,264
5,666	43	5,623	Corporate and democratic core	5,022	41	4,981
(5,224)	-	(5,224)	Non distributed costs	3,184	-	3,184
746,025	**495,501**	**250,524**		**717,537**	**438,922**	**278,615**
			Acquired Services			
-	-	-	Public Health - Statutory transfer from the NHS - effective date 1 April 2013	**26,255**	**28,994**	**(2,739)**
746,025	**495,501**	**250,524**	**Cost of Services**	**743,792**	**467,916**	**275,876**
53,694	-	53,694	Other operating expenditure (Note 10)	65,147	-	65,147
33,480	6,700	26,780	Financing and investment income and expenditure (Note 11)	32,408	3,010	29,398
-	304,136	(304,136)	Taxation and non specific grant income (Note 12)	-	321,800	(321,800)
833,199	**806,337**	**26,862**	**(Surplus) or Deficit on Provision of Services**	**841,347**	**792,726**	**48,621**
		(22,167)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(32,788)
		(185)	Surplus on revaluation of PFI liability			(49)
		(7)	Surplus or deficit on revaluation of available for sale financial assets			5
		565	Transfer of Cash Managed Schools to Academy status			-
		77,247	Re-measurement of the net defined benefit liability			(119,606)
		55,453	**Other Comprehensive Income and Expenditure**			**(152,438)**
		82,315	**Total Comprehensive Income and Expenditure**			**(103,817)**

BALANCE SHEET

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

31 March 2013		Notes	31 March 2014
£'000			£'000
629,562	Property, Plant & Equipment	13	609,303
12,686	Heritage Assets	14	12,686
16,288	Investment Property	15	16,545
351	Intangible Assets	16	133
14,153	Long Term Investments	17	2,009
58,961	Long Term Debtors	42	54,946
732,001	**Long Term Assets**		**695,622**
43,597	Short Term Investments	17	27,197
589	Assets Held for Sale	20	9,708
277	Inventories		292
43,731	Short Term Debtors	18	50,913
18,935	Cash and Cash Equivalents	19	30,994
107,129	**Current Assets**		**119,104**
32,914	Short Term Borrowing	17	15,589
46,204	Short Term Creditors	21	58,045
8,135	Provisions	22	4,201
87,253	**Current Liabilities**		**77,835**
5,240	Provisions	22	4,301
214,229	Long Term Borrowing	17	201,302
528,240	Other Long Term Liabilities	43	422,988
2,875	Capital Grants Receipts in Advance	36	3,190
750,584	**Long Term Liabilities**		**631,781**
1,293	**Net Assets**		**105,110**
121,558	Usable Reserves	23	123,444
(120,265)	Unusable Reserves	24	(18,334)
1,293	**Total Reserves**		**105,110**

CASH FLOW STATEMENT

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

2012/13		2013/14
£'000		**£'000**
26,862	Net (surplus) / deficit on the provision of services	48,621
(41,133)	Adjust net (surplus)/ deficit on the provision of services for non cash movements (Note 25)	(86,783)
14,011	Adjust for items in the net (surplus)/ deficit on the provision of services that are investing or financing activities (Note 25)	16,129
(260)	Net Cash Flow From Operating Activities	(22,033)
(1,029)	Net Cash Flows From Investing Activities (Note 26)	(21,710)
20,133	Net Cash Flows From Financing Activities (Note 27)	31,684
18,844	Net increase or decrease in cash and cash equivalents	(12,059)
(37,779)	Cash and cash equivalents at the beginning of the reporting period	(18,935)
(18,935)	**Cash and cash equivalents at the end of the reporting period**	**(30,994)**

Notes to the

Core Financial Statements

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to produce an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and the Service Reporting Code of Practice for Local Authorities 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost modified for the valuation of certain categories of non-current assets and financial instruments. They are also prepared on a going concern basis. The Code of Practice specifies the principles and practices of accounting required to prepare a Statement of Accounts which provides a true and fair view of the financial position and transactions of the Council and is based on approved international accounting standards, except where these might conflict with specific statutory accounting requirements.

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

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

Qualitative characteristics of financial information	Revenue accounting concepts
• Understandability. • Relevance. • Reliability. • Comparability	• 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.

Accruals of Income and Expenditure
Income and expenditure is recognised in the financial year in which goods and services are received or provided. The amounts included are based on actual invoices received or raised after the year end and where actual amounts are not known estimates are included based on an assessment of the value of goods and services received or rendered. Any estimates are calculated using the best available information.

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

Income from Council Tax and National Non-Domestic Rates is recognised within the Comprehensive income and Expenditure Account as the amount due to the Council for the financial year, including its share of the Collection Fund balances for these items at the end of the financial year. This value is subsequently amended through the Movement in Reserves Statement and the Collection Fund Adjustment Account to reflect the amount to be credited to the General Fund for the Council's Council Tax Requirement and income from National Non-Domestic Rates.

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

Acquired Services
The Council assumed responsibility for Public Health from 1 April 2013. Expenditure and income in relation to this service is accounted for in a way that is consistent with the accounting policies applied to the other services operated by the Council. A separate line has been added to the Comprehensive Income and Expenditure Statement for this service as an Acquired Operation in 2013/14 to meet the requirements of CIPFA's 2013/14 Accounting Code of Practice. With effect from 2014/15 costs and income for the Public Health Service will be moved into the main body of the Comprehensive Income and Expenditure Statement under a distinct heading to comply with SeRCOP.

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

Usable receipts are initially credited to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement and then transferred to finance capital expenditure by a debit through the Movement in Reserves Statement and a credit to the Capital Receipts Unapplied Reserve. Reserved receipts are credited to the Capital Adjustment Account to reduce the Council's Capital Financing Requirement. Receipts under £10,000 in value remain as credits within the General Fund.

The Secretary of State has determined that, under provisions included in the Local Government Act 2003, the Council is required to pay over to the Department for Communities and Local Government (DCLG) a proportion of receipts derived from the disposal of housing land.

Carbon Reduction Commitment Scheme
The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This Scheme has completed its introductory phase and the next phase started in April 2013. The Council is required to purchase allowances retrospectively, on the basis of carbon emissions. As energy is used and carbon is emitted, The Council recognises an expense and liability within its revenue account.

The liability is measured as the best estimate of the expenditure required to meet this obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and is included in the cost of service costs shown in the Comprehensive Income and Expenditure Statement being apportioned to services on the basis of energy consumption.

Cash and Cash Equivalents
Cash includes all balances, including overdrafts and all deposit accounts, held by the Council with financial institutions as part of its cash management procedures, which are accessible without notice.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Contingent Assets and Liabilities
These are not recognised in the Balance Sheet but are disclosed by way of notes to the accounts if there is a possible obligation / receipt which may require a transfer, payment or receipt of economic benefits. This will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. The note discloses the nature of the asset or liability and either its probable financial effect or an estimate of its financial effect, if this cannot be measured reliably.

Debt Redemption through the Minimum Revenue Provision (MRP)
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 place a single duty to charge an amount of MRP which the Council considers ‘prudent’.

The Council approved the following MRP policy for the 2013/14 financial year:

(a) The Council will apply the regulatory method in respect of supported capital expenditure and the asset life method in respect of unsupported capital expenditure.
(b) For prudence, when the asset life method is applied to funding of an asset with a life of greater than 25 years the Council will apply a default asset life of 25 years.
(c) MRP in respect of Private Finance Initiatives (PFI) and leases brought on to the Balance Sheet under International Financial Reporting Standards will also be calculated using the asset life method and will match the annual principal repayment for associated deferred liability.

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

Employee Benefits

Benefits payable during employment

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

Termination benefits

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

- the Council’s decision to terminate an employee’s employment before the normal retirement date, or

- an employee’s decision to accept voluntary redundancy in exchange for those benefits. Termination benefits are often lump-sum payments.

The liability for termination benefits is charged on an accruals basis to service lines in the Comprehensive Income and Expenditure Statement when either the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring that involves the payment of termination benefits, whichever is the earlier.

Post employment benefits

Employees of the Council are members of three 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 on behalf of the Department for Education. The arrangements for this scheme mean that liabilities for these benefits cannot be identified by the Council. The scheme is, therefore, accounted for as if it were a defined contributions scheme and therefore no liability for future payments of benefits is recognised in the Balance Sheet and the Education and Children’s Services line within the Comprehensive Income and Expenditure Account is charged with the employer's contributions payable to the Teachers’ Pensions Scheme in the year. The pension cost charged to the accounts is the contribution rate set on the basis of a notional fund.

- The NHS Pension Scheme, which is an unfunded defined benefit scheme that covers NHS employers, general practices and other bodies allowed under the direction of the Secretary of State for England and Wales. This scheme covers staff transferred to the employment of the Council following the transfer of public health services to the Council on 1 April 2013. It is not possible for the Council to identify its share of the underlying scheme liabilities. The scheme is, therefore, accounted for as if it were a defined contributions scheme and therefore no liability for future payments of benefits is recognised in the Balance Sheet. In 2013/14 only, the

Acquired Operations line within Comprehensive Income and Expenditure Account has been charged with the employer's contributions payable to the NHS Pensions Scheme in the year. From 2014/15 this charge will be met from a new Public Health service line within the Comprehensive Income and Expenditure Statement to comply with SeRCOP requirements.

- 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. This operates as a defined benefit scheme and 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 credit 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 costs.

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

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

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

- Quoted securities - bid market value;
- Unquoted securities - professional estimate;
- Unitised securities - average of the bid and offer rates.
- Property - market value.

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

(i) Current service cost - the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
(ii) Past service gains - the increase in liabilities arising from current year decisions where the effect relates to years of service earned in earlier years, which is debited to Non Distributed Costs within the Comprehensive Income and Expenditure Statement.
(iii) Net interest on the net defined benefit liability – i.e. the net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.
(iv) Administration costs, which are now separately identified rather then being deducted from the return on pension fund assets. These costs are charged to the

Other Operating Expenditure line within the Comprehensive Income and Expenditure Account.

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

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

(vii) Remeasurement comprising items charged as Other Comprehensive Income and Expenditure:

- the return on plan assets charged to the Pensions Reserve, excluding amounts in net interest on the net defined benefit liability.
- actuarial gains and 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.

The changes to IAS 19 that were implemented on 1 April 2013 in relation to the treatment of interest and gains and losses on pension scheme assets and liabilities are also reflected in the figures for 2012/13, which have been re-stated to allow proper comparison with the 2013/14 financial year.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

Events after the Balance Sheet date

Material events are those after the Balance Sheet date, favourable or unfavourable, which occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Adjusting events provide evidence of conditions that existed at the end of the reporting period and the Statement of Accounts is adjusted to reflect such events.

Non-adjusting events are indicative of conditions that arose after the reporting period and the Statement of Accounts is not adjusted. However, where a category of events would have a material effect on the Statement of Accounts then disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Exceptional Items
Exceptional items are, where appropriate, included in the Comprehensive Income and Expenditure Statement under the cost of services to which they relate in order to improve understanding of the Council's financial performance.

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

- **Initial Recognition**
  Financial instruments are recognised on the Balance Sheet when, and only when, the Council 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 are recognised in the same way.

  Trade receivables and payables are, in contrast, only 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 recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument.

Financial Assets
Financial Assets are classified into two types:-

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

Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Assets are initially measured at fair value and carried at their amortised cost. Annual credits are made to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement for interest receivable, based on the carrying

amount of the asset multiplied by the effective rate of interest for the instrument. For most loans the Council has made, this means that the amount shown in the Balance Sheet is the outstanding principal receivable and the interest credited to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement is the amount receivable for the year. Where assets are identified as being 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 Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.

Available for Sale Assets
Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Assets are initially measured at fair value and carried at their amortised cost. Where the asset has fixed or determinable payments, annual credits to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the surplus or deficit on revaluation of Available for Sale financial assets. The exception is where an impairment loss has been incurred. These are debited to Financing and Investment Income and Expenditure within Comprehensive Income and Expenditure Statement along with any net gains/losses for the asset accumulated in the Available for Sale 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 either a provision or a contingent liability note is required.

Disclosure of the nature and risk arising from Financial Instruments
The Council activities expose it to a variety of financial risks such as:

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

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

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

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

Specific revenue grants and contributions are credited to the relevant service to match the expenditure to which they relate. In the event that the revenue grant is not utilised to match expenditure, the unused grant is transferred into earmarked reserves for future use. In the event that conditions attached to a revenue grant are not met then the balance of the revenue grant that will require repayment to the funding body is transferred to creditors.

General revenue grants are provided to finance the general activities of the Council. Grants are credited to the Comprehensive Income and Expenditure Statement in the year receivable within Taxation and Non-specific Grant Income.

Grants related to the funding of capital expenditure are credited to the Comprehensive Income and Expenditure Statement, also within Taxation and Non-specific Grant Income, when the conditions regarding their use are met. This income is reversed out in the Movement in Reserves Statement to either the Capital Adjustment Account, if the grant has been used to finance capital expenditure in the year or to the Capital Grants Unapplied Account until it is applied. Capital grants with conditions attached are also held as receipts in advance in the Capital Grants Unapplied Account until such time as the conditions are met and the grant applied to finance capital expenditure. Where a capital grant has been received but the conditions regarding its use are not met, it is transferred to Capital Grants Received in Advance until such time as the grant conditions are met. At this point, it is then recognised as a capital grant within the Comprehensive Income and Expenditure Statement as Taxation and Non-specific Grant Income.

Group Accounts
Group Accounts are covered by IFRS 3 Business Combinations. An assessment of the criteria for the completion of Group Accounts has been undertaken and the conclusion reached that there was no requirement to produce such accounts. Only the Council's share of Joint Arrangements that are not entities have been included in the Statement of Accounts.

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

These assets, which include Bidston Windmill, art and ceramic collections, artefacts and civic regalia, are recognised in the Balance Sheet when their value exceeds the approved de-minimis value for capital expenditure. Their value at the time of recognition is, wherever possible, at either valuation or cost. If this has not been possible, particularly in respect of the art collection assets and civic regalia, where the distinctive and rare nature of these of assets can make valuations complicated (and in some cases unobtainable), the assets are not included as a value on the Balance Sheet but are detailed in notes to the Statement of Accounts.

There is no depreciation charged on heritage assets. The Council considers that because the various categories of heritage assets have indeterminate lives and / or high residual values it is not considered appropriate to charge depreciation.

Intangible Assets
Expenditure on assets that do not have physical substance but are identified and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year.

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.

The balance is amortised to the relevant service revenue line in the Comprehensive Income and Expenditure Statement over the economic life of the investment to reflect the pattern of consumption of benefits. Any impairment loss recognised is similarly treated in the Comprehensive Income and Expenditure Statement. Any gain or loss on the disposal of an intangible asset is shown within the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

When expenditure on intangible assets qualifies under statutory definition as capital expenditure, amortisation, impairment losses and gains / losses on disposal are not permitted to have an impact on the General Fund balance. Gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for receipts over £10,000) to the Capital Receipts Reserve.

Investment Properties
The Council classifies investment properties as property which is held exclusively for revenue generation or for the capital gain that the asset is expected to generate. These assets are not used directly to deliver Council services. Any property that is used to facilitate the delivery of services as well as earn rentals or, for capital appreciation, does not meet the definition of an investment property, is accounted for as property, plant and equipment.

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

Rentals received in relation to investment properties are recognised in Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement and result in an increase to the General Fund balance. Gains and losses on the revaluation and disposal of investment properties are not permitted by statute to affect the General Fund balance. Any such gains and losses are therefore reversed out through the Movement in Reserves Statement to the Capital Adjustment Account and (for sale proceeds over £10,000) to the Capital Receipts Reserve.

Joint Arrangements

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets or resources rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and liabilities that it incurs, and the Cost of Services within the Comprehensive Income and Expenditure Statement includes the expenditure incurred and the share of income earned from the activity.

Jointly controlled assets are items that are controlled by the Council and other venturers with the assets being used to obtain benefits for the venturers and does not involve the establishment of a separate entity. The Council accounts for its share of the jointly controlled assets, the liabilities and expenses it incurs and the income earned in respect of its interest in the venture.

Leasing

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

The Council as Lessee

Finance Lease

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

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

Operating Leases

Lease payments under an operating lease are recognised in the Cost of Services within the Comprehensive Income and Expenditure Statement as an expense and charged on a straight line basis over the lease term.

The Council as Lessor

Finance Lease

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

Operating Lease

Items of property, plant and equipment subject to operating leases are presented according to the nature of the asset. The asset is retained on the Balance Sheet. Income from operating leases is recognised in the Cost of Services within the Comprehensive income and Expenditure Statement on a straight line basis over the lease term.

Arrangements containing a lease

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

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

a) Fulfilment of the arrangement is dependent on the use of a specific asset or assets.

b) The arrangement conveys a right to use the asset.

Non-Current Assets Held for Sale and Discontinued Operations

Non-Current Assets Held for Sale

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

Assets classified as held for sale are valued at the lower of carrying value immediately prior to classification and fair value less costs to sell where known. If assets no longer meet the criteria to be classified as held for sale, they are reclassified back to non-current assets, usually as Property, Plant and Equipment. The value of an asset treated in this way is the lower of:

- Its carrying amount before it was classified as held for sale: adjusted for depreciation, amortisation or revaluations that would have been recognised had it not been classified as held for sale, or
- Its recoverable amount at the date of the decision not to sell was reached.

Discontinued Operations

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

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

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

Overheads
In accordance with the Service Reporting Code of Practice (SeRCOP) 2013/14, charges or apportionments for the costs of support services are made to those who benefit from the supply or service.

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 used include computing costs allocated on the amount of central processing use and Service Level Agreements and Administrative Buildings on the basis of area occupied.

The exceptions under SeRCOP are the costs of the Corporate and Democratic Core (relating to the Council's status as a multi-functional, democratic organisation) and of Non-Distributed Costs (changes in past service costs and impairment losses chargeable on Assets Held for Sale) are accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

Prior Year Adjustments
Prior period adjustments may arise as a result of changes in accounting policies. These are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Material adjustments from the changes in accounting policies or 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.

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

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

The remaining service element of the contract payment will be charged to revenue as incurred.

Property, Plant and Equipment

Recognition

Expenditure over £10,000, the Council's de-minimis level for the recognition of capital spending on the acquisition, creation or enhancement of property, plant and equipment, is capitalised on an accruals basis in the accounts provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost can be measured reliably.

Capital spending includes expenditure on such things as the acquisition of land and buildings, the acquisition of vehicles, plant and equipment and the construction and enhancement of roads, buildings and other structures.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefit or service potential, i.e. repairs and maintenance, is charged as an expense to revenue when it is incurred.

The Council does not capitalise borrowing costs against capital projects, which are incurred when borrowing takes place to finance capital spending on assets under construction. Such costs are charged as an expense to revenue within the Comprehensive Income and Expenditure Account under Financing and Investment Income and Expenditure.

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

Measurement

Property, plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Under the 2013/14 Code of Practice on Local Authority Accounting valuations now need to be made with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. Items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluations and ensure that the reporting amounts in the financial statements are not a mixture of costs and values at different dates. Classes of assets may be revalued on a rolling basis provided that the revaluation of the class of assets is completed within a short period and that their values are kept up to date. Valuations shall be carried out at intervals of no more than five years.

Property, plant and equipment are classified according to the Code of Practice on Local Authority Accounting.

Property, plant and equipment are included in the Balance Sheet using the following measurement techniques:-

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

In accordance with CIPFA guidance, all assets, with the exception of infrastructure, were revalued by the end of March 2013 by qualified valuers employed by the Council, using the valuation techniques referred to above.

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

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

Assets are recognised into components for depreciation purposes when the component has a significant cost compared to the total cost of the item (greater than 10% of the asset value) and a different useful life to the remainder of the asset. Only assets with a value of over £2 million are componentised. Where enhancement expenditure replaces an existing component, it becomes necessary to de-recognise the carrying value of the component replaced or restored, and replace it with the value of the new component in the carrying amount, even where parts of an asset were not previously recognised as separate components.

Impairment

The value of each category of assets is reviewed at the end of each financial year to assess whether there is any evidence of an impairment loss. This would arise, for example, from a significant decline in the asset's market value, evidence of obsolescence or physical damage, a change in the regulatory environment within which the Council operates or a commitment to undertake a significant re-organisation. Impairment can also be recognised where capital spending does not result in an increase in a corresponding increase in the carrying value of an asset.

Impairment losses are accounted for by either

- Charging the Revaluation Reserve with the value of any impairment, up to the level of historical revaluations held within the Reserve for that particular asset ; or

- Charging service revenue accounts within the Comprehensive Income and Expenditure Account for all impairments that are not covered by historical revaluations within the Revaluation Reserve.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

To avoid impairment becoming a charge against council tax the value of all such impairments is reversed out within the Movement in Reserves Statement and charged to the Capital Adjustment Account.

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property (or its components), as estimated by an authorised valuer ; and

- Vehicles, plant, furniture and equipment and Infrastructure – straight line allocation over the estimated useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.

- Infrastructure – straight line allocation over estimated useful life of the asset.

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

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

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

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

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

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

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

Provisions

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

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

The principal provisions relate to Business Rates appeals, bad debts and insurance.

The provision for Business Rates appeals relates to the impact of successful appeals in 2013/14 and backdated amounts in relation to earlier years. It is required following the introduction of the Business Rates Retention Scheme on 1 April 2013.

The bad debts provision is deducted from debtors in the Balance Sheet, rather than being shown in provisions. As part of compliance with IFRS 7, “Financial Instruments: Disclosure”, amounts shown as due from debtors are individually or collectively (for debts that are not significant) reviewed for impairment annually and the level of the bad debt provision is adjusted accordingly. Debts due to the Council that become uncollectable are charged to the provision when the debt is approved for write-off. Debts which are found to have been raised in error, rather than being uncollectable, are charged back directly to services that raised the initial debt.

The insurance provision relates to outstanding liability claims. The figure is the sum indicated by actuaries, updated by an internal assessment, as being required to fund claims for years up to and including 2013/14.

Repurchase of Borrowing

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

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

For premiums and discounts that have been charged to the Comprehensive Income and Expenditure Statement, Government regulations allow for the impact on the General

Fund balances to be spread over future years with an offset through a transfer to the Financial Instrument Adjustment Account shown within the Movement in Reserves Statement.

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

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

Usable reserves are those the Council may use to fund either revenue or capital expenditure. Unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)
This is expenditure that may be capitalised but does not result in the creation of an asset and has been charged to the Cost of Services within the Comprehensive Income and Expenditure Statement. These items are normally written-off as expenditure in the year of payment. If financed from existing capital resources or borrowing, a transfer to the Capital Adjustment Account from the Movement in Reserves Statement reverses out the amounts charged to the Comprehensive Income and Expenditure Statement so that there is no impact on the level of Council Tax.

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

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

For 2013/14 there are amendments to the following Accounting Standards:

IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures

IAS 32 Financial Instruments Presentation
2009-2011 Cycle of Annual Improvements to International Financial Reporting Standards

The changes to the above standards will apply to disclosures within the Statement of Accounts for financial year 2014/15, mainly in respect of the need to disclose further information in relation to joint ventures, interests in companies and equity investments. It is not expected that the introduction of the standards will result in changes to the current disclosures within the Statement of Accounts as the Council does not have any interests of this nature.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

- The Council will make a provision where a future event is uncertain but there is a legal or constructive obligation.

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

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

The items in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £20.527 million. However, the assumptions interact in complex ways. During 2013/14, the Council's actuaries advised that the net pension liability had reduced by £102.746 million. This change includes: • An increase in the year of £23.729 million in the actuarial valuation of scheme assets; • An increase in the year of £48.645 million in the pensions costs recognised within the scheme; • Employer contributions actually paid in the year of £30.209 million.
Property, Plant and Equipment	Land and buildings are currently revalued using a 5–year rolling programme ensuring that the fair value of the assets is reflected in the Balance Sheet. New guidance states that assets should be revalued with sufficient regularity to ensure that their carrying value does not differ materially from fair value at the year-end. The uncertainty surrounds the potential difference between current value and fair value as assets with a high value are currently only revalued once every 5 years.	If the carrying value of the land and buildings is under-stated by 1% then the carrying value within the Balance Sheet would change by +/- £4.5 million and would be matched by a corresponding change to the balance in the Revaluation Reserve.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.65 million for every year that useful lives had to be reduced. Over a period of 5 years (before the next valuation takes place) this could result in an error of £3.2 million - this is not material.
Leases	Within the Council departments and schools a number of leases have been identified. In determining their fair value a number of assumptions have been made about their values with some being determined from the cost of similar assets or rental income.	As the total depreciated value of leases is £0.6 million the effect of the estimation is not material.

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

5. MATERIAL ITEMS OF INCOME AND EXPENSE

During 2013/14 the Council set up a reserve worth £14 million to assist with the costs of remodelling services to meet an identified budget gap of £45 million over the period 2014/15 to 2016/17 (see paragraph 8.5 above).

The reserve was created by using a mix of budget savings arising in 2013/14 totalling £5 million and a review of earmarked reserves held by the Council, which resulted in an amount of £9 million being released back to the General Fund in the year.

6. EXCEPTIONAL ITEMS

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

For the 2013/14 Statement of Accounts, there are no exceptional items to report

7. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2014, up to the date when these accounts were authorised by the Director of Resources on 29 September 2014, that require any adjustment to these accounts.

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2012/13	**Usable Reserves**			**Movement in Usable Reserves**	**Movement in Unusable Reserves**
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**		
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the CIES					
Depreciation of non current assets	17,888	-	-	17,888	(17,888)
Impairment and revaluation losses of non current assets	8,315	-	-	8,315	(8,315)
Movement in market value of investment property	(3,486)	-	-	(3,486)	3,486
Amortisation of intangible assets	247	-	-	247	(247)
Capital grant and contributions	(5,293)	-	-	(5,293)	5,293
Revenue Expenditure Funded from Capital under Statute (REFCUS)	10,291	-	-	10,291	(10,291)
Application of grants to fund REFCUS	(2,917)	-	-	(2,917)	2,917
Reserves applied to fund REFCUS	(73)	-	-	(73)	73
Income in relation to donated assets credited to the Comprehensive Income and Expenditure Statement (CIES)	-	-	-	-	-
Amount on non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10,252	-	-	10,252	(10,252)
Insertion of items not debited or credited to the CIES				-	-
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(10,372)	-	-	(10,372)	10,372
Statutory Repayment of Debt (Finance Lease Liabilities)	(1,081)	-	-	(1,081)	1,081
Statutory Repayment of Debt (PFI)	(2,051)	-	-	(2,051)	2,051
Capital expenditure charged against the General Fund	(342)	-	-	(342)	342
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants unapplied credited to CIES	(7,367)	-	7,367	-	-
Application of grants through the Capital Adjustment Account.	-	-	(11,138)	(11,138)	11,138
Application of previous year's grants to fund REFCUS	-	-	(6,266)	(6,266)	6,266

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(Table continued from previous page)

2012/13	**Usable Reserves**			**Movement in Usable Reserves**	**Movement in Unusable Reserves**
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**		
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the Capital Receipts Reserve				-	-
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and expenditure Statement	(1,351)	1,351	-	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	(2,547)	-	(2,547)	2,547
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipt pool	18	(18)	-	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account				-	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year with statutory requirements	(38)	-	-	(38)	38
Adjustments primarily involving the Pensions Reserve				-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	33,150	-	-	33,150	(33,150)
Employers pension contributions and direct payments to pensioners in the year	(33,432)	-	-	(33,432)	33,432
Adjustments primarily involving the Collection Fund Adjustment Account				-	-
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,586	-	-	1,586	(1,586)
Adjustments primarily involving the Accumulated Absences Account				-	-
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is Different from the remuneration chargeable in the year in accordance with statutory requirements	(1,960)	-	-	(1,960)	1,960
Total adjustments	**11,984**	**(1,214)**	**(10,037)**	**733**	**(733)**

2013/14	Usable Reserves			Movement in Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the CIES					
Depreciation of non current assets	17,564	-	-	17,564	(17,564)
Impairment and revaluation losses of non current assets	25,937	-	-	25,937	(25,937)
Movement in market value of investment property	(368)	-	-	(368)	368
Amortisation of intangible assets	218	-	-	218	(218)
Capital grant and contributions applied	(13,915)	-	-	(13,915)	13,915
Revenue Expenditure Funded from Capital under Statute (REFCUS)	4,352	-	-	4,352	(4,352)
Application of grants to fund REFCUS	(1,823)	-	-	(1,823)	1,823
Reserves applied to fund REFCUS	-	-	-	-	-
Income in relation to donated assets credited to the Comprehensive Income and Expenditure Statement (CIES)	-	-	-	-	-
Amount on non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	21,435	-	-	21,435	(21,435)
Insertion of items not debited or credited to the CIES					
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(10,275)	-	-	(10,275)	10,275
Statutory Repayment of Debt (Finance Lease Liabilities)	(395)	-	-	(395)	395
Statutory Repayment of Debt (PFI)	(2,138)	-	-	(2,138)	2,138
Capital expenditure charged against the General Fund	(4)	-	-	(4)	4
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants unapplied credited to CIES	(7)	-	7	-	-
Application of grants through the Capital Adjustment Account.	-	-	(5,801)	(5,801)	5,801
Application of previous year's grants to fund REFCUS	-	-	(1,352)	(1,352)	1,352

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2013/14	Usable Reserves			Movement in	Movement in
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and expenditure Statement	(2,319)	2,319		-	-
Use of the Capital Receipts Reserve to finance capital expenditure		(1,543)		(1,543)	1,543
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipt pool	10	(10)		-	-
Adjustments primarily involoving the Financial Instruments Adjustment Account				-	-
Amount by w hich finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year w ith statutory requirements	(39)	-	-	(39)	39
Adjustments primarily involving the Pensions Reserve				-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	49,987	-	-	49,987	(49,987)
Employers pension contributions and direct payments to pensioners in the year	(33,227)	-	-	(33,227)	33,227
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by w hich council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance w ith statutory requirements	232	-	-	232	(232)
Adjustments primarily involving the Accumulated Absences Account					
Amount by w hich officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is Different from the remuneration chargeable in the year in accordance w ith statutory requirements	1,662	-	-	1,662	(1,662)
Total adjustments	**56,887**	**766**	**(7,146)**	**50,507**	**(50,507)**

9. TRANSFERS TO/FROM EARMARKED RESERVES

The Council keeps a number of reserves in the Balance Sheet that have been set up to earmark funding for future spending plans. These are held for costs which are likely to be incurred but their timing is not certain and they cannot be met from annual budgets. A review of reserves was carried out as part of the 2013/14 budget setting process. The following table discloses each earmarked reserve where the balance is in excess of £0.25 million on either 31 March 2013 or 31 March 2014.

Earmarked Reserves	Balance at 31 March 2012	Movement 2012/13	Balance at 31 March 2013	Movement 2013/14	Balance at 31 March 2014
	£'000	£'000	£'000	£'000	£'000
Remodelling	-	-	-	14,156	14,156
Schools Balances	11,767	169	11,936	(254)	11,682
Insurance Fund	9,635	(1,814)	7,821	1,330	9,151
Housing Benefit	11,155	(1,000)	10,155	(3,267)	6,888
IT Development	3,161	-	3,161	631	3,792
Families & Well Being Budget Stabilisation	-	-	-	3,431	3,431
Business Rates Equalisation	-	-	-	3,259	3,259
Public Health Outcomes	-	-	-	1,953	1,953
One Stop Shop/Libraries IT Networks	2,119	(241)	1,878	-	1,878
Budget Equalisation	-	-	-	1,860	1,860
Community Asset Transfer	3,301	(1,155)	2,146	(615)	1,531
Dedicated Schools Grant	165	307	472	930	1,402
Efficiency Investment Rolling Fund	-	2,000	2,000	(711)	1,289
School Harmonisation	1,241	(573)	668	409	1,077
Business Rates Appeals	-	-	-	1,000	1,000
Stay, Work, Learn Wise	908	-	908	-	908
Supporting People Programme	1,505	(400)	1,105	(200)	905
Intensive Family Intervention Project	-	871	871	-	871
Working Neighbourhood Fund	7,959	(7,199)	760	-	760
Schools Capital Schemes	777	(196)	581	169	750
ERDF Match Funding	500	(56)	444	286	730
Support and Assistance to Public in Need	-	-	-	626	626
Schools - PFI Affordability Gap	-	-	-	600	600
Public Health - Information and Performance	-	-	-	564	564
Home Adaptations	537	(19)	518	(23)	495
Childrens Workforce Development Council	399	159	558	(89)	469
Schools Automatic Meter Readers	415	-	415	-	415
Schools Contingency	370	-	370	(2)	368
Social Worker Retention	-	-	-	349	349
Business Improvement Grant	342	-	342	(14)	328
Children Centre Nurseries	-	-	-	322	322
Parks & Countryside	-	-	-	311	311
Local Pay Review	2,641	(345)	2,296	(2,000)	296
Schools Service IT	294	-	294	-	294
Homeless Prevention	271	-	271	-	271
Child Poverty	-	350	350	(100)	250
Strategic Asset Review	495	(129)	366	(155)	211
Worklessness	-	1,085	1,085	(890)	195
Planned Preventative Maintenance	483	(20)	463	(290)	173
Apprentice Programmes 2 & 3	-	546	546	(386)	160
Budget Support	-	4,200	4,200	(4,200)	-
Severance Pay	-	1,026	1,026	(1,026)	-
Local Area Agreement Reward	322	-	322	(322)	-
Other Reserves	11,807	(5,359)	6,448	1,212	7,660
	72,569	**(7,793)**	**64,776**	**18,854**	**83,630**

The purposes for the individual earmarked reserves

Remodelling

The Council over the coming financial years will need to rationalise and restructure its services. This reserve was established in 2013/14 by transferring £9.9 million from a number of existing reserves which were no longer required and £5 million from the underspend in the 2013/14 Out-turn. The balance in the reserve will be used to fund the costs of changes to Council services. These costs are expected to include employee related payments and investment in services to yield efficiencies.

Schools Balances

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

	2012/13	2013/14
	£'000	£'000
Schools underspending	12,075	11,860
Schools overspending	(139)	(178)
Net Schools balances	**11,936**	**11,682**

	Number of schools with in hand balances	Number of schools with overdrawn balances
Nursery	3	-
Primary	83	7
Secondary	7	-
Special	13	-

Insurance Fund

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

Housing Benefit

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

IT Development

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

Families and Well Being – Budget Stabilisation

The set aside of budget under-spends in 2013/14 to meet potential budget pressures within the Children and Young People and Adult Social Services areas.

Business Rates Equalisation

To create a reserve to meet fluctuations in the income received from business rates following the introduction of the Business Rates Retention Scheme on 1 April 2013.

Public Health Outcomes
To meet future commitments in relation to Public Health in accordance with the terms of the Public Health Grant provided by the Department of Health.

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

Budget Equalisation
To provide resources to meet budget pressures that may occur in the future to avoid significant annual budget increases.

Community Asset Transfer
The Community Fund grant has been allocated by Magenta Living and this is the balance of the grant to implement the Community Asset Transfer programme.

Dedicated Schools Grant
Department for Education regulations require that any unspent Dedicated Schools Grant (DSG) balances are either redistributed to schools or carried forward to future years. The Schools Forum have agreed that any balances arising following the final DSG announcement in June (or at the year end) are carried forward until the end of the funding period. After this time, balances are to be redistributed.

Efficiency Investment Rolling Fund
This Fund was established to facilitate investment in efficient practices by "loaning" pump-priming funding at the start of a revenue saving project which would repay the loan out of savings in later years.

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

Business Rates Appeals
Following the introduction of the Business Rates Retention Scheme from 1 April 2013, billing authorities are required to make an estimate of the impact of successful appeals covering not only 2013/14 but also any backdated amount relating to earlier years. This sum has been provided, in addition to the provision relating to the liability in respect of likely known levels of appeals, to meet unforeseen liabilities in future years.

Stay, Work, Learn Wise
This reserve has been provided to fund the possible future repayment of the Stay, Work, Learn Wise grant awarded to the Council.

Supporting People
Permission has been granted by the Department of 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.

Intensive Family Intervention Project
Funding was allocated from the Department for Communities and Local Government for the Intensive Families Intervention Programme which is a 3 year programme. Implementation of the programme commenced in 2012/13 and the programme and funding has been re-profiled.

Working Neighbourhood Fund
Working Wirral resources are used to commission activity to deliver the Investment Strategy priorities of tackling worklessness, improving skills levels and increasing enterprise, business growth and investment.

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

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

Support and Assistance to Public in Need
In 2013/14 Wirral received a grant from the Government to fund Local Welfare Assistance. The grant was to provide assistance to Wirral residents in cases of disaster or emergency, where financial support is needed to meet one-off costs as opposed to ongoing expenses. The reserve was set up from the balance of the grant which was not distributed in 2013/14 and will be used in future years.

Schools PFI Affordability Gap
This reserve has been set up to meet potential budget shortfalls in relation to spending on the schools PFI schemes.

Public Health – Information and Performance
This reserve is to meet future commitments with Public Health, particularly in relation to NHS sexual health spending.

Home Adaptations
This reserve will facilitate a programme of minor adaptations to improve standards of living.

Children’s Workforce Development Council
The reserve was set up from Income received in 2011/12 and 2012/13 to fund training and supervision for newly qualified social workers. This will be used to fund the cost of training and supervising newly qualified social workers and to pay for agency cover if social workers are absent to go on training courses (Early Professional Development Scheme and Newly Qualified Social Workers Income) and will also be used to fund 2 posts (Social Work Improvement Fund).

Schools Automatic Meter Readers
Reserve established to cover the running costs of installation and maintenance of automatic meter readers in Wirral schools. This initiative is to introduce meters over a

three year period to assist schools in the implementation of the Carbon Reduction Commitment.

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.

Social Worker Retention
The reserve has been set up to provide resources to fund initiatives that may be needed to retain social workers given the current national shortage of qualified staff**.**

Business Improvement Grant
Grants are awarded by a Business Support panel and are funded from the revenue budget. This reserve will fund outstanding valid claims, which were expected to be settled in the 2013/14 financial year.

Children's Centre Nurseries
This reserve has been set up to fund the costs of the nurseries to September 2014, which will be required following an unsuccessful tendering exercise and a resulting non-achievement of budget savings in 2013/14.

Parks and Countryside – Planned Preventative Maintenance
This reserve funds a programme of work that enables maintenance issues to be addressed, which, if not tackled, would either reduce the lifespan of the service infrastructure or lead to health and safety issues.

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.

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

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

Child Poverty
This reserve was set up to pay for the Schools Readiness Project within Surestart.

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

Worklessness
Funding was provided in 2012/13 for a continuation of the worklessness programme, which also incorporated the existing ILM programme. The programme was due to finish in 2013/14. This balance on this reserve is to fund outstanding commitments from the programme that may arise in the future.

Planned Preventative Maintenance
Fund held to complete a programme of planned preventative maintenance within the Asset Management and Transformation and Resources departments.

Apprentice Programmes 2 & 3
Funding for the final tranche of the apprenticeship programme was provided in 2012/13. The programme was to fund apprentices for a 12 month training programme, and recruitment commenced in summer 2012 and continued for a further 4 months. Completion of the programme was expected in 2013/14 and the balance on the reserve is to fund any outstanding commitments from the programme that may arise in the future.

Other
This line adds together smaller individual reserves, each with a value of less than £0.250 million.

10. OTHER OPERATING EXPENDITURE

2012/13 £'000		2013/14 £'000
44,074	Levies	45,438
18	Payments to the Government Housing Capital Receipts Pool	10
489	Pensions Scheme – Administration Costs	587
9,113	Gains / losses on the disposal of non-current assets	19,112
53,694	**Total**	**65,147**

The disposal of non-current assets mainly relates to the transfer out of the Council control of the Milner Carrington clearance site under a development agreement. The Housing Market Renewal initiative provided funding for original purchase of properties in this area.

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 Re-stated £'000		2013/14 £'000
14,038	Interest payable and similar charges	13,324
18,220	Pensions – net interest cost	18,929
(1,484)	Interest receivable and similar income	(1,054)
(4,046)	Income and expenditure in relation to investment properties and changes in their fair value	(1,095)
52	Gains and losses on trading accounts	(706)
26,780	**Total**	**29,398**

12. TAXATION AND NON SPECIFIC GRANT INCOME

2012/13 £'000		2013/14 £'000
132,780	Council tax income	111,126
145,208	Contribution from Non domestic rates pool	-
-	Non domestic rates income	33,135
-	Non domestic rates top-up	39,739
13,488	Non-ringfenced government grants	123,879
12,660	Capital grants and contributions	13,921
304,136	**Total**	**321,800**

In 2013/14 there were major changes and reductions to the grant funding that the Council received from Central Government. Additional changes to the collection of National Non- Domestic Rates and reforms of the Council Tax support scheme have also impacted on taxation and non-specific grant income.

Income from Council tax reduced in 2013/14 due to the implementation of Council Tax Support Scheme which has led to a switch in funding of these welfare benefits. The first year of the Non Domestic Rates retention scheme resulted in the Council retaining a proportion of income from businesses in the area. Previously this was paid over to central government and redistributed back to Wirral. For 2013/14 the Council received this funding through the main non ring-fenced grant, the Revenue Support Grant. Further details on changes in grants are set out in note 36 on page 112.

13. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2013/14:

	Land and Buildings	Vehicles, Plant, Furniture & Equip-ment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Con-struction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2013	476,300	21,113	137,671	27,417	3,316	28,190	694,007
additions	8,647	3,255	6,742	294	43	1,898	20,879
revaluation increases/ (decreases) recognised in the Revaluation Reserve	12,838	-	-	-	181	8,022	21,041
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(30,683)	(2,848)	-	(719)	(21)	-	(34,271)
derecognition - disposals	(6,409)	-	-	(1,373)	(13,715)	-	(21,497)
assets reclassified (to)/from Held for Sale	(9,620)	-	-	-	-	-	(9,620)
other movements in cost or valuation	12,301	-	-	158	16,926	(29,449)	(64)
At 31 March 2014	**463,374**	**21,520**	**144,413**	**25,777**	**6,730**	**8,661**	**670,475**
Accumulated Depreciation and Impairment							
At 1 April 2013	19,058	14,830	30,535	-	22	-	64,445
depreciation charge	11,840	1,901	3,748	-	75	-	17,564
depreciation written out to the Revaluation Reserve	(11,747)	-	-	-	-	-	(11,747)
impairment losses /(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-

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(Table continued from previous page)

	Land and Buildings	Vehicles, Plant, Furniture & Equip-ment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Con-struction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
impairment losses /(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6,310)	(2,023)	-	-	-	-	(8,333)
derecognition - disposals	(630)	-	-	-	(61)	-	(691)
other movements in depreciation and impairment	(66)	-	-	-	-	-	(66)
At 31 March 2014	**12,145**	**14,708**	**34,283**	**-**	**36**	**-**	**61,172**
Net Book Value							
at 31 March 2013	**457,242**	**6,283**	**107,136**	**27,417**	**3,294**	**28,190**	**629,562**
at 31 March 2014	**451,229**	**6,812**	**110,130**	**25,777**	**6,694**	**8,661**	**609,303**

Comparative Movements in 2012/13:

	Land and Buildings	Vehicles, Plant, Furniture & Equip-ment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Con-struction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2012	494,999	20,203	131,372	26,914	2,733	32,004	708,225
additions	6,890	1,068	6,299	516	337	7,747	22,857
revaluation increases/ (decreases) recognised in the Revaluation Reserve	(16,962)	-	-	(205)	(24)	-	(17,191)
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,805)	-	-	(465)	838	-	(6,432)
derecognition - disposals	(4,130)	(158)	-	-	(279)	(5,474)	(10,041)
assets reclassified (to)/from Held for Sale	-	-	-	-	(3,388)	(499)	(3,887)
other movements in cost or valuation	2,308	-	-	657	3,099	(5,588)	476
At 31 March 2013	**476,300**	**21,113**	**137,671**	**27,417**	**3,316**	**28,190**	**694,007**
Accumulated Depreciation and Impairment							
At 1 April 2012	48,675	12,781	27,102	-	10	-	88,568
depreciation charge	12,239	2,198	3,433	-	19	-	17,889
depreciation written out to the Revaluation Reserve	(38,738)	-	-	(101)	(519)	-	(39,358)

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	Land and Buildings	Vehicles, Plant, Furniture & Equip-ment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Con-struction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
impairment losses /(reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,747)	-	-	-	(35)	-	(1,782)
derecognition - disposals	(723)	(149)	-	-	-	-	(872)
other movements in depreciation and impairment	(648)	-	-	101	547	-	-
At 31 March 2013	**19,058**	**14,830**	**30,535**	**-**	**22**	**-**	**64,445**
Net Book Value							
at 31 March 2012	**446,324**	**7,422**	**104,270**	**26,914**	**2,723**	**32,004**	**619,657**
at 31 March 2013	**457,242**	**6,283**	**107,136**	**27,417**	**3,294**	**28,190**	**629,562**

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

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

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

Schools
The status for accounting purposes of the assets of schools is currently under review by CIPFA and pending the outcome of this review the following principles have been adopted:

- Community Schools owned by the Council: both land and buildings are included on the Balance Sheet;
- Voluntary Control Schools owned by the Council: both land and buildings are included on the Balance Sheet;
- Voluntary Control Schools owned by the Church Authorities: neither land nor the buildings are included in the Balance Sheet. For this category of school where the Council owns and has a statutory responsibility for a schools playing fields this is included in the Balance Sheet;
- Voluntary Aided: neither land nor the buildings are included in the Balance Sheet. For this category of school where the Council owns and has a statutory responsibility for a schools playing fields or other outside spaces these are included in the Balance Sheet;
- Foundation Schools: neither land nor the buildings are included in the Balance Sheet;

- Academy Schools: neither land nor the buildings are included in the Balance Sheet.

Revaluations

The 2013/14 Code of Practice on Local Authority Accounting requires the Council to revalue its assets sufficiently regularly to ensure that their carrying value does not differ materially from fair value at the year end.

In 2013/14, the Council based its revaluations on a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. This process does not strictly comply with the new requirements but as all the high value assets, such as schools and leisure centres, were revalued in 2012/13, any changes to the carrying value of assets arising from the revised guidance in 2013/14 is not deemed to be a material amount.

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

	Land and Buildings	Surplus Assets	Total
	£'000	£'000	£'000
Carried at historical cost	-	-	-
Valued at fair value as at:			
31 March 2014	98,779	5,511	104,290
31 March 2013	223,224	697	223,921
31 March 2012	60,103	502	60,605
31 March 2011	40,770	20	40,790
31 March 2010	36,784	-	36,784
Total Cost or Valuation	**459,660**	**6,730**	**466,390**

14. HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council

	Decorative Art and Other Collections	Buildings	Civic Regalia	Transport	Fine Art	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
1 April 2012	3,130	937	408	439	7,775	12,689
Additions	-	-	-	-	-	-
Enhancements	-	-	-	-	-	-
Disposals	-	-	-	(3)	-	(3)
Revaluations	-	-	-	-	-	-
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
31 March 2013	**3,130**	**937**	**408**	**436**	**7,775**	**12,686**
Cost or Valuation						
1 April 2013	3,130	937	408	436	7,775	12,686
Additions	-	-	-	-	-	-
Enhancements	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
31 March 2014	**3,130**	**937**	**408**	**436**	**7,775**	**12,686**

Heritage Assets: Five-Year Summary of Transactions

	2010/11	2011/12	2012/13	2013/14
	£'000	£'000	£'000	£'000
Cost of Acquisitions	-	-	-	-
Value Acquired by Donation				
Fine Art	-	35	-	-
Disposals				
Transport	-	-	(3)	-
Impairment recognised in the period				
Civic Regalia	-	116	-	-
Transport	-	10	-	-

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

Fine Art, Decorative Art and Other Collections
These collections are housed at the Williamson Art Gallery and the more important collections consist of:

Fine Art
British Watercolours – by a series of bequests and purchases, notably between 1920 and 1935, the Gallery has a significant collection of 18th and 19th century watercolour paintings and drawings by British artists;

The Liverpool School – Merseyside produced a large number of significant artists in the period 1810 to 1910 and the Liverpool School is well represented in the Williamson collections;

Philip Wilson Steer – born in Birkenhead in 1860 he became especially important in the artistic heritage of the Wirral. The Williamson now holds a collection of his work that is of national importance;

Local paintings – the Museum is virtually the only institution on Merseyside actively researching local historic and contemporary painters. Works by leading local artists are housed at the Museum;

There are over 5,000 items in the Fine Art collection, the most important of which are by Albert Joseph Moore (£200,000) and one attributed to Jan Breughel (£200,000).

Decorative art and other collections
There are a number of collections of this type held by the Council. The most important ones are:

- The Knowles Boney collection of some 300 pieces is very comprehensive and was presented to the Museum some 55 years ago and represents examples of work from several factories that were producing porcelain of various types and quality in Liverpool between 1750 and 1800;

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

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

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

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

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

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

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

Disposal procedure
The Museum does not undertake disposal motivated principally by financial reasons. The decision to dispose of material from the collections will be taken after full consideration of the reasons for disposal. This includes curatorial and financial reasons as well as the public benefit, the implication for the Museum's collections and collections held by museums and other organisations collecting the same material. External expert

advice will be obtained and the views of stakeholders such as donors, researchers, local and source communities served by the Museum will also be sought.

A decision to dispose of a specimen or object, whether by gift, exchange, sale or destruction will only be taken acting on the advice of professional curatorial staff, if any, and not of the curator of the collection acting alone.

There have been no disposals in 2013/14.

Conservation and storage

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

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

Exhibition and public services

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

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

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

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

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

Transport

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

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

Civic Regalia

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

Buildings

There are two buildings included in the valuation of heritage assets. These are Leasowe Lighthouse, which is the oldest brick built lighthouse in the country and Bidston Hill Windmill, which was operational until 1875. Leasowe Lighthouse is supported by the Friends of Leasowe Lighthouse, which has an active series of events. Similarly there is public access to Bidston Hill Windmill, supported by the Friends of Bidston Hill.

Valuations have been undertaken by the Council's own valuers and are based on their fair value. Valuations were undertaken between January 2008 and March 2012.

Heritage Assets not reported in the Balance Sheet

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

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

War memorials and other monuments

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

Archaeological sites

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

15. INVESTMENT PROPERTIES

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

	2012/13	2013/14
	£'000	£'000
Rental income from investment property	642	818
Direct operating expenses arising from investment property	(82)	(91)
Net gain	560	727

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

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

	2012/13	2013/14
	£'000	£'000
Balance at start of the year	13,550	16,288
Additions:	1	-
Disposals	(272)	(111)
Net gains / (losses) from fair value adjustments	3,486	368
Transfers:		
To / (from) Property, Plant and Equipment	(477)	-
From Assets Held for Sale	-	-
Balance at 31 March	**16,288**	**16,545**

16. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.218 million charged to revenue in 2013/14 (2012/13 £0.247 million) was charged to IT cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

Intangible Assets	2012/13	2013/14
	£'000	£'000
Balance at 1 April	598	351
Purchases	-	-
Amortisation for the year	(247)	(218)
Balance at 31 March	**351**	**133**

17. FINANCIAL INSTRUMENTS

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

Long Term	Short Term		Long Term	Short Term
31 March 2013	31 March 2013		31 March 2014	31 March 2014
£'000	£'000		£'000	£'000
		Financial Liabilities		
214,229	32,914	Borrowings	201,302	15,589
55,138	2,101	PFI Liability	52,988	2,122
540	635	Finance Lease Liability	18	54
269,907	**35,650**	**Total Financial Liabilities**	**254,308**	**17,765**
		Financial Assets		
14,153	35,084	Loans and Receivables	2,009	26,188
-	8,513	Available for Sale	-	1,009
14,153	**43,597**	**Total Financial Assets**	**2,009**	**27,197**

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

Long Term	Short Term		Long Term	Short Term
31 March 2013	31 March 2013		31 March 2014	31 March 2014
£'000	£'000		£'000	£'000
		Borrowings		
217,162	30,018	Nominal Amount	204,156	13,007
-	2,910	Accrued Interest	-	2,582
(2,933)	(14)	EIR Adjustments	(2,854)	-
214,229	**32,914**	**Total Amortised Cost**	**201,302**	**15,589**

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

Long Term 31 March 2013 £'000	Short Term 31 March 2013 £'000		Long Term 31 March 2014 £'000	Short Term 31 March 2014 £'000
		Loans and Receivables		
14,246	34,626	Nominal Amount	2,000	26,009
(567)	458	Accrued Interest	9	179
474	-	Impairment/ Revaluation	-	-
14,153	**35,084**	**Total Amortised Cost**	**2,009**	**26,188**
		Available for Sale		
-	8,500	Nominal Amount	-	1,000
-	13	Impairment/ Revaluation	-	9
-	**8,513**	**Total Fair Value**	**-**	**1,009**
14,153	**43,597**	**TOTAL INVESTMENTS**	**2,009**	**27,197**

Gains and Losses on Financial Instruments

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

2013/14	Financial Liabilities	Financial Assets		Total
	Liabilities Measured at amortised cost	Loans and Receivables	Available for sale assets	
	£'000	£'000	£'000	£'000
Interest expense	(13,324)	-	-	(13,324)
Impairment losses	-	-	-	-
Interest payable and similar charges	**(13,324)**	**-**	**-**	**(13,324)**
Interest Income	-	589	135	724
Gains on derecognition	-	-	-	-
Total Interest and Investment Income	**-**	**589**	**135**	**724**
Gains on revaluation	-	-	(1)	**(1)**
Surplus arising on revaluation of financial assets	**-**	**-**	**(1)**	(1)
Net gain/ (loss) for the year	**(13,324)**	**589**	**134**	**(12,601)**

This compares with the gains and losses recognised in 2012/13:

2012/13	Financial Liabilities	Financial Assets		Total
	Liabilities Measured at amortised cost	Loans and Receivables	Available for sale assets	
	£'000	£'000	£'000	£'000
Interest expense	(14,034)	-	-	(14,034)
Impairment losses	-	(4)	-	(4)
Interest payable and similar charges	**(14,034)**	**(4)**	**-**	**(14,038)**
Interest Income	-	939	200	1,139
Gains on derecognition	-	-	-	-
Total Interest and Investment Income	**-**	**939**	**200**	**1,139**
Gains on revaluation	-	-	6	**6**
Surplus arising on revaluation of financial assets	**-**	**-**	**6**	6
Net gain/ (loss) for the year	**(14,034)**	**935**	**206**	**(12,893)**

Fair Value of Assets Carried at Amortised Cost
For each class of financial assets and financial liability, an authority is required to disclose the fair value of that class of assets and liabilities in such a way that a comparison with the carrying amount is possible.

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

The Council's debt outstanding at 31 March 2014 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 2014. 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 2014.

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

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

Carrying Amount as at 31 March 2013	Fair Value as at 31 March 2013		Carrying Amount as at 31 March 2014	Fair Value as at 31 March 2014
£'000	£'000		£'000	£'000
		Financial Liabilities:		
247,144	359,793	Borrowings	216,890	308,410
21,024	21,024	Trade Payables	20,416	20,416
268,168	**380,817**	**Total Financial Liabilities**	**237,306**	**328,826**
		Financial Assets:		
49,237	49,266	Loans and Receivables	28,197	28,203
9,236	9,236	Trade Receivables	8,653	8,653
58,473	**58,502**	**Total Financial Assets**	**36,850**	**36,856**

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

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

18. DEBTORS

	31 March 2013	31 March 2014
	£'000	£'000
Central government bodies	3,370	7,873
Other local authorities	6,550	5,332
NHS bodies	5,717	2,831
Collection Fund	4,117	6,139
Other entities and individuals	23,977	28,738
Total	**43,731**	**50,913**

19. CASH AND CASH EQUIVALENTS

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

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

	31 March 2013 £'000	31 March 2014 £'000
Cash held by Authority	5,395	1,534
Call accounts (same day access funds)	13,540	29,460
Total Cash and Cash Equivalents	**18,935**	**30,994**

20. ASSETS HELD FOR SALE

	2012/13 £'000	2013/14 £'000
Balance outstanding at start of year	**1,348**	**589**
Assets newly classified as held for sale	4,015	9,622
Revaluation gains	-	-
Impairment losses	(3,665)	-
Assets declassified as held for sale:	(90)	-
Disposals	(1,019)	(503)
Balance outstanding at year-end	**589**	**9,708**

21. CREDITORS

	31 March 2013 £'000	31 March 2014 £'000
Central government bodies	7,429	8,670
Other local authorities	1,185	4,310
NHS bodies	546	3,845
Public corporations and trading funds	69	7
Other entities and individuals	36,975	41,213
Total	**46,204**	**58,045**

22. PROVISIONS

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

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

	Balance at 1 April 2013	Utilised in 2013/14	Additions in 2013/14	Balance at 31 March 2014
	£'000	£'000	£'000	£'000
Council Tax	7,498	(2,632)	4,661	9,527
NNDR	-	(1,026)	2,787	1,761
Housing Benefit	7,017		820	7,837
Sundry Debtors	10,900	(5,961)	2,269	7,208
Summons Costs	490	(184)	200	506
Total	**25,905**	**(9,803)**	**10,737**	**26,839**

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

	Balance at 1 April 2013	Utilised in 2013/14	Released in 2013/14	Additions in 2013/14	Balance at 31 March 2014
	£'000	£'000	£'000	£'000	£'000
Short Term					
Severance Pay	4,474	(4,042)	(432)	19	19
Insurance Fund	1,550	-	-	-	1,550
NNDR Appeals	-	-	-	1,564	1,564
Supported Living Accommodation	493	(405)	-	-	88
Carbon Reduction Commitment	488	(488)	-	488	488
You Decide	306	-	(306)	-	-
Land Charges	250	-	-	-	250
Other	574	(82)	(254)	4	242
	8,135	**(5,017)**	**(992)**	**2,075**	**4,201**
Long Term					
Insurance Fund	5,218	-	(939)	-	4,279
Other	22	-	-	-	22
	5,240	**-**	**(939)**	**-**	**4,301**

Severance Pay
The Council identified funding for staff reductions that will occur in financial year 2013/14 totalling £4.474 million. Actual payments totalled £4.455 million, leaving a balance of £0.019 million in the provision at 31 March 2014. This sum will be utilised in 2014/15.

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.

NNDR Appeals
Following the introduction of the Business Rates Retention Scheme from 1 April 2013, billing authorities are required to make an estimate of the impact of successful appeals covering not only 2013/14 but also any backdated amount relating to earlier years. This will include decisions made in future years regarding appeals which may affect the 2013/14 and earlier financial years business rates charges. The provision calculation is based upon data supplied by the Valuation Office at 31st March 2014 regarding outstanding and settled appeals. Outstanding appeal rateable value totals equated to £58.6 million relating to the 2010 rating list and a further £1 million of rateable value is under appeal relating to the 2005 rating list. The calculation has applied the rateable value multiplier for each year to produce an estimate of maximum potential liability. A percentage of 3% has then been applied to the potential liability as a representation of the likely success and impact of appeals and valuation adjustments within the Council area.

Supported Living Accommodation
This provision is to fund payments to individuals within the Councils' in-house supported living accommodation who had been overcharged for their care. Although substantially utilised in 2013/14, the balance on the provision is required as repayment of the remaining outstanding charges will be made in 2014/15.

Carbon Reduction Commitment
To fund carbon reduction payments to the Government which are paid in arrears but which need to be reflected in the correct financial year. Payments relating to 2012/13 have been met from this provision in 2013/14.

You Decide
This provision, which provided You Decide funding for Area Forums was returned to balances in 2013/14.

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

Other Provisions
All other provisions are individually insignificant in being below £0.250 million.

23. USABLE RESERVES

Usable Reserve	Balance at 1 April 2013	Movement in Year	Balance at 31 March 2014	Purpose of Reserve
	£'000	£'000	£'000	
General Fund	27,411	(10,212)	17,199	Resources available to meet future running costs for services.
Earmarked General Fund Reserves	64,776	18,854	83,630	See note 9 for further details.
Capital Receipts Reserve	8,023	766	8,789	Contains the proceeds of fixed asset sales that are available to meet future capital investment.
Capital Grants Unapplied	21,348	(7,522)	13,826	Government Grants and contributions received in year for projects.
Total	**121,558**	**1,886**	**123,444**	

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

24. UNUSABLE RESERVES

Unusable Reserve	Balance at 1 April 2013	Movement in Year	Balance at 31 March 2014
	£'000	£'000	£'000
Revaluation Reserve	162,378	27,579	189,957
Available for Sale Financial Instruments Reserve	11	(5)	6
Capital Adjustment Account	192,721	(26,631)	166,090
Deferred Capital Receipts	2,677	(3)	2,674
Financial Instruments Adjustment Account	(3,723)	40	(3,683)
Pensions Reserve	(472,043)	102,846	(369,197)
Collection Fund Adjustment Account	385	(232)	153
Accumulated Absences Account	(2,671)	(1,663)	(4,334)
Total Unusable Reserves	**(120,265)**	**101,931**	**(18,334)**

Revaluation Reserve

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

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

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

2012/13		2013/14	
£'000		**£'000**	**£'000**
145,828	**Balance at 1 April**		**162,378**
53,707	Upward revaluation of assets	52,698	
(31,540)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(19,910)	
22,167	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**32,788**
(3,925)	Difference between fair value depreciation and historical cost depreciation	(2,673)	
(1,692)	Accumulated gains on assets sold or scrapped	(2,536)	
-	Amounts written off to the Capital Adjustment Account resulting from IFRS restatement	-	
(5,617)	**Total amount written off to the Capital Adjustment Account**		**(5,209)**
162,378	**Balance at 31 March**		**189,957**

Revaluation Reserve Adjustments
When an asset is revalued downwards (impaired) and there has been a previous upward revaluation which has created a revaluation reserve, the impairment is charged to the revaluation reserve until it is depleted; thereafter it is charged to service revenue accounts.

When an asset that has been revalued is depreciated, the associated revaluation reserve is written off at the same rate. In this situation the revaluation reserve is debited and the capital adjustment account is credited. If an asset is deemed to have a residual value, depreciation stops when the residual value has been reached. Writing off of the revaluation reserve stops at the same time.

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

2012/13		2013/14
£'000		£'000
4	**Balance at 1 April**	11
7	Revaluation of investments not charged to the Surplus/ Deficit on the Provision of Services	(5)
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
11	**Balance at 31 March**	6

Capital Adjustment Account

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

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

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

2012/13		2013/14	
£'000		£'000	£'000
188,908	**Balance at 1 April**		**192,721**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(26,204)	Charges for depreciation, revaluation losses and impairment of non-current assets	(43,501)	
3,925	Historic cost adjustment on Revaluation losses on Property, Plant and Equipment	2,673	
(247)	Amortisation of intangible assets	(218)	
(10,291)	Revenue expenditure funded from capital under statute	(2,526)	
(8,559)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(18,883)	
(41,376)			**(62,455)**
	Capital financing applied in the year:		
2,547	Use of the Capital Receipts Reserve to finance new capital expenditure	1,543	
25,065	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	21,051	
13,689	Statutory provision for the financing of capital investment charged against the General Fund	12,857	
402	Capital expenditure charged against the General Fund and other balances	4	
41,703			**35,455**
3,486	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	369	
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-	
-	Asset Under Construction previously omitted from asset register	-	
3,486			**369**
192,721	**Balance at 31 March**		**166,090**

Financial Instrument Adjustment Account

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

The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

2012/13		2013/14
£'000		£'000
(3,760)	**Balance at 1 April**	(3,723)
37	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirments	40
(3,723)	**Balance at 31 March**	(3,683)

Pensions Reserve

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

Changes to IAS19 effective from 2013/14 require that the movements in the Pension Reserve for 2012/13 require restatement for comparative purposes. The table that follows reflects the revised figures.

2012/13		2013/14
£'000		£'000
(395,078)	**Balance at 1 April**	(472,043)
(77,247)	Re-measurement of pensions assets and liabilities	119,606
(33,150)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(49,987)
33,432	Employer's pensions contributions and direct payments to pensioners payable in the year	33,227
(472,043)	**Balance at 31 March**	**(369,197)**

Collection Fund Adjustment Account

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

2012/13		2013/14
£'000		£'000
1,971	**Balance at 1 April**	385
(1,586)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(232)
385	**Balance at 31 March**	**153**

Accumulated Absences Account

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

2012/13		2013/14	
£'000		£'000	£'000
(4,631)	**Balance at 1 April**		(2,671)
(487)	Settlement or cancellation of accrual made at the end of the preceding year	524	
2,447	Amounts accrued at the end of the current year	(2,187)	
1,960	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,663)
(2,671)	**Balance at 31 March**		**(4,334)**

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/13		2013/14
£'000		£'000
(5,823)	Interest received	(4,817)
18,743	Interest paid	17,332
	Adjust net (surplus)/ deficit on the provision of services for non cash movements:	
(17,888)	Depreciation	(17,564)
(8,315)	Impairment	(25,937)
(247)	Amortisations of intangible assets	(218)
(3,803)	Movement in provision for bad debts	694
5,579	(Increase) / decrease in long & short term creditors	(11,842)
(14,421)	Increase / (decrease) in long & short term debtors	4,795
(94)	Increase / (decrease) in stock / WIP	16
(33,150)	Charges for retirement benefits in accordance with IAS 19	(49,987)
33,432	Actual amount paid to pension fund - charge against Council Tax for pension in year	33,227
(10,252)	Non cash items relating to the disposal of fixed assets	(21,435)
248	Movement in other provisions (additions) / utilised	3,243
3,486	Movement in the value of investment properties	368
4,230	Collection Fund and accumulated absences	(1,894)
62	Other misc non cash movements	(249)
(41,133)		**(86,783)**
	Adjust for items in the net (surplus)/ deficit on the provision of services that are investing or financing activities	
1,351	Proceeds from the sale of property, plant and equip., investment property and intangible assets	2,319
12,660	Grants applied to the financing of capital expenditure	12,932
-	Any other items for which the cash effects are investing or financing cash flows.	7
-	Billing Authority NNDR adjustments	871
14,011		**16,129**

26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2012/13		2013/14
£'000		£'000
23,766	Purchase of property, plant and equipment, investment property and intangible assets.	22,201
45,090	Purchase of short-term and long-term investments	11,508
(1,351)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(2,319)
(55,587)	Proceeds from short-term and long-term investments	(39,853)
(12,947)	Other receipts from investing activities	(13,247)
(1,029)	**Net cash flows from investing activities**	**(21,710)**

27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2012/13		2013/14
£'000		£'000
-	Cash receipts of short- and long-term borrowing	-
(127)	Other receipts from financing activities	-
3,132	Cash payments for the reduction of outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	2,533
17,128	Repayment of short- and long-term borrowing	30,018
-	Billing Authority NNDR adjustments	(871)
-	Other payments for financing activities	4
20,133	**Net cash flows from financing activities**	**31,684**

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

The income and expenditure by Council services recorded in the budget reports for the year 2013/14 is as follows:

Directorate Income and Expenditure 2013/14	Adult Social Services	Children & Young People	Regeneration & Environment	Transformation & Resources	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(29,939)	(49,413)	(22,059)	(557)	2,847	(99,121)
Government grants	(418)	(197,795)	(746)	(143,540)	(25,943)	(368,442)
Total Income	**(30,357)**	**(247,208)**	**(22,805)**	**(144,097)**	**(23,096)**	**(467,563)**
Employee expenses	20,892	194,017	23,892	32,717	13,100	284,618
Other service expenses	79,681	97,775	75,023	80,926	23,355	356,760
Support service recharges	11,836	24,642	10,402	18,522	1,883	67,285
Total	**112,409**	**316,434**	**109,317**	**132,165**	**38,338**	**708,663**
Net Expenditure	**82,052**	**69,226**	**86,512**	**(11,932)**	**15,242**	**241,100**

The directorate reporting structure for 2013/14 is significantly different from the structure used for reporting in 2012/13. For comparative purposes with 2012/13, the figures for that year have been re-stated to reflect the new structure used in 2013/14

The re-stated income and expenditure by Council directorate for the year 2012/13 is as follows:

Directorate Income and Expenditure 2012/13	Adult Social Services	Children & Young People	Regeneration & Environment	Transformation & Resources	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(32,070)	(47,807)	(20,407)	(3,086)	6,480	(96,890)
Government grants	(6,955)	(216,543)	(3,452)	(169,348)	(149)	(396,447)
Total Income	**(39,025)**	**(264,350)**	**(23,859)**	**(172,434)**	**6,331**	**(493,337)**
Employee expenses	24,087	204,626	26,378	51,016	9,428	315,535
Other service expenses	79,261	88,999	65,052	110,012	10,009	353,333
Support service recharges	14,955	29,440	18,219	19,120	(11,170)	70,564
Total Expenditure	**118,303**	**323,065**	**109,649**	**180,148**	**8,267**	**739,432**
Net Expenditure	**79,278**	**58,715**	**85,790**	**7,714**	**14,598**	**246,095**

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

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

	2012/13	2013/14
	£'000	£'000
Net expenditure in the Directorate Analysis	246,095	241,100
Net expenditure on services and support services not included in the Analysis	826	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	3,603	34,776
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	**250,524**	**275,876**

2013/14	**Directorate Analysis**	**Services and Support Services not in Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E**	**Cost of Services**	**Corporate Amounts**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges & other service income	(99,121)	-	-	-	(99,121)	(1,956)	(101,077)
Interest and investment income	-	-	-	-	-	(1,054)	(1,054)
Income from council tax/NNDR	-	-	-	-	-	(184,000)	(184,000)
Government grants and contributions	(368,442)	-	(1,823)	-	(370,265)	(137,800)	(508,065)
Total Income	**(467,563)**	**-**	**(1,823)**	**-**	**(469,386)**	**(324,810)**	**(794,196)**
							-
Employee expenses	284,618	-	1,380	-	285,998	587	286,585
Other service expenses	356,760	-	-	-	356,760	155	356,915
Support Service recharges	67,285	-	-	-	67,285	-	67,285
Depreciation, amortisation and impairment	-	-	35,219	-	35,219	-	35,219
Interest Payments	-	-	-	-	-	32,253	32,253
Precepts & Levies	-	-	-	-	-	45,438	45,438
Payments to Housing Capital Receipts Pool	-	-	-	-	-	10	10
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	19,112	19,112
Total expenditure	**708,663**	**-**	**36,599**	**-**	**745,262**	**97,555**	**842,817**
Surplus or (deficit) on the provision of services	**241,100**	**-**	**34,776**	**-**	**275,876**	**(227,255)**	**48,621**

2012/13	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(96,890)	826	-	-	(96,064)	(1,730)	(97,794)
Interest and investment income	-	-	-	-	-	(1,484)	(1,484)
Income from council tax	-	-	-	-	-	(132,780)	(132,780)
Government grants and contributions	(396,447)	-	(2,990)	-	(399,437)	(171,356)	(570,793)
Total Income	**(493,337)**	**826**	**(2,990)**	**-**	**(495,501)**	**(307,350)**	**(802,851)**
							-
Employee expenses	315,535	-	(16,477)	-	299,058	-	299,058
Other service expenses	353,333	-	-	-	353,333	1,711	355,044
Support Service recharges	70,564	-	-	-	70,564	-	70,564
Depreciation, amortisation and impairment	-	-	23,070	-	23,070	(3,486)	19,584
Interest Payments	-	-	-	-	-	32,258	32,258
Precepts & Levies	-	-	-	-	-	44,074	44,074
Payments to Housing Capital Receipts Pool	-	-	-	-	-	18	18
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	9,113	9,113
Total expenditure	**739,432**	**-**	**6,593**	**-**	**746,025**	**83,688**	**829,713**
Surplus or (deficit) on the provision of services	**246,095**	**826**	**3,603**	**-**	**250,524**	**(223,662)**	**26,862**

29. TRADING OPERATIONS

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

		2012/13		2013/14	
		£'000	£'000	£'000	£'000
(1) Vehicle Maintenance Unit The Vehicle Maintenance Unit won the contract under open competition and still operates along the lines of the former CCT DSO.	Turnover	284		-	
	Expen-diture	(371)		-	
	Surplus/ (Deficit)		(87)		-
(2) Building Cleaning The Council manages a Building Cleaning operation on the basis of an agreement between the service provider and other departments.	Turnover	804		770	
	Expen-diture	(769)		(803)	
	Surplus/ (Deficit)		35		(33)

From 2013/14 the Vehicle Maintenance Unit has been re-classified as an operational unit and no longer operates under CCT rules. The unit is now contained within the Transport Administration service area.

30. POOLED BUDGETS

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

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

Wirral Council’s contribution for 2013/14 is £0.705 million (2012/13 £0.56 million) out of total expenditure of £2.12 million (2012/13 £2.16 million).

31. COMMUNITY FUND

The Community Fund was established following the Large Scale Voluntary Transfer of the Council's housing stock. The utilisation of the Fund must accord with the agreed purposes of improving the economic, environmental and social well-being of Wirral's residents and comply with the charitable objectives of Magenta Living. This includes meeting transferred stock warranty claims, providing assistance to meet housing requirements, encouraging economic regeneration, helping to reduce crime and for other environmental benefits.

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

During 2013/14 the Fund received £1.725 million of income from savings relating to refurbishment programme VAT arrangements and from interest earned on the Fund balances.

The Fund incurred Expenditure of £1.78 million in the year. Wirral Council received grants of £1.5 million (2012/13 £0.75 million). £1.25 million funded support for Housing and homelessness initiatives and £0.25 million funded schemes tackling Domestic Abuse. Magenta Living received no grant in 2013/14 (2012/13 - Nil). The Your Wirral Grant scheme received £0.28 million (£0.75 million in 2012/13) to fund community initiatives.

Community Fund Statement	**£'000**	**£'000**
Balance at 1 April 2013	9,671	
Adjustment to Opening Balance: Accrued VAT	(380)	9,291
Movement 2013/14		
Income		
- Contributions arising from VAT savings	1,694	
- Property Sale	-	
- Interest received	31	1,725
Expenditure		
Grant Payments to Wirral Council	(1,500)	
Grant Payments to Magenta Living	-	
Your Wirral Grant Scheme	(280)	(1,780)
Balance at 31 March 2014		**9,236**

After earmarking funds for any potential warranty liabilities, as at 31 March 2014 the Fund held £6.736 million for distribution.

32. MEMBERS' ALLOWANCES

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

	2012/13	**2013/14**
	£'000	**£'000**
Salaries	12	12
Allowances	748	747
Expenses	10	10
Total	**770**	**769**

33. OFFICERS' REMUNERATION

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

	Employment Period	Notes	Salary £	Allow-ances £	Comp-ensation for loss of Office £	Pension Contrib-utions £	Total inc Pension Contrib-utions £
Financial Year 2013/14							
Chief Executive	01/04/13-31/03/14		134,804	308	-	-	135,112
Strategic Director : Transformation & Resources	01/04/13-31/03/14		120,273	105	-	14,617	134,995
Strategic Director: Families & Wellbeing	01/04/13-31/03/14		120,635	422	-	14,617	135,674
Strategic Director: Regeneration & Environment	01/04/13-31/03/14		120,505	-	-	14,654	135,159
Head of Policy & Performance/Director of Public Health	01/04/13-31/03/14		89,240	-	-	12,494	101,734
Head of Neighbourhood and Engagement	01/04/13-31/03/14		83,491	-	-	10,156	93,647
Director of Resources	04/11/13-31/03/14	(a)	35,621	-	-	4,350	39,971
Director of Adult Social Services	01/04/13-31/03/14		107,262	1,488	-	12,865	121,615
Director of Children & Young People's Services	01/04/13-31/03/14		102,972	-	-	12,526	115,498
Assistant Chief Executive/ Head of Universal Services/Infrastructure	01/04/13-31/03/14		102,272	447	-	12,387	115,106
Monitoring Officer	01/04/13-31/03/14		75,411	-	-	-	75,411
Total			**1,092,486**	**2,770**	**0**	**108,666**	**1,203,922**

Note (a) – Interim Director of Resources in place 1/4/2013 to 03/11/2013

	Employment Period	Notes	Salary	Allow-ances	Comp-ensation for loss of Office	Pension Contrib-utions	Total inc Pension Contrib-utions
			£	£	£	£	£
Financial Year 2012/13							
Chief Executive	16/04/12-07/06/12		29,873	-	-	112,323	142,196
Acting Chief Executive & Director of Finance	01/04/12-15/05/12		14,648	229	-	1,730	16,607
Acting Chief Executive	14/05/12-05/10/12	(a)	49,395	773	-	88,363	138,531
Acting Chief Executive	28/06/12-02/09/12		20,589	207	-	2,474	23,270
Chief Executive	03/09/12-31/03/13		78,234	36	-	-	78,270
Acting Director Childres Services / Acting Deputy Chief Executive	01/04/12-28/06/12		27,111	310	-	3,190	30,611
Acting Chief Finance Officer	14/05/12-31/03/13	(b)	74,666	-	-	8,960	83,626
Acting Director of Finance	16/07/12-13/08/12	(c)	10,971	-	-	1,330	12,301
Director of Technical Services	01/04/12-31/03/13	(d), (e)	114,261	1,364	-	13,542	129,167
Director of Adult Social Services	04/04/12-31/03/13		104,388	708	-	12,442	117,538
Acting Director of Childrens Services	16/07/12-31/03/13		95,903	-	-	11,505	107,408
Director of Law, HR & Asset Management	01/04/12-12/10/12	(f)	100,065	-	101,416	7,208	208,689
Acting Director of Law, HR & Asset Management	16/0712-31/03/13		94,480	232	-	-	94,712
Director of Regeneration, Housing & Planning	01/04/12-18/11/12		68,138	-	-	8,005	76,143
Strategic Director: Families & Wellbeing	18/03/13-31/03/13	(g)	4,584	-	-	449	5,033
Strategic Director: Regeneration & Environment	19/11/12-31/03/13	(g)	42,188	-	-	5,234	47,422
Total			**929,494**	**3,859**	**101,416**	**276,755**	**1,311,524**

Notes:

(a) Suspended from 28/06/12; Early Voluntary Retirement taken on 05/10/12
(b) Suspended from 28/06/12
(c) Interim Director of Finance appointed from 13/08/12
(d) Suspended from 26/03/12
(e) Interim Director of Technical Services appointed
(f) Suspended from 28/06/12; left through redundancy on 12/10/12
(g) 3 Strategic Director posts created. Strategic Director: Transformation & Resources appointed 01/04/13

The following table shows remuneration over £50,000 to employees in bands of £5,000. Remuneration does, however, include severance and pension strain costs where the Council has made decisions to release staff from the employment of the Council through redundancy and early retirement. The numbers of employees by band are therefore inflated by these one-off costs and do not represent ongoing staff numbers being paid salaries within the remuneration bands shown.

The costs of providing additional retirement benefits are calculated by the Pension Fund and recharged to the Council, who reimburse the Fund over 5 years.

Remuneration band	2012/13 Number of Employees			2013/14 Number of Employees		
	General	Teaching	Total	General	Teaching	Total
£50,000 - £54,999	26	47	73	45	45	90
£55,000 - £59,999	16	43	59	19	36	55
£60,000 - £64,999	6	31	37	14	34	48
£65,000 - £69,999	10	13	23	4	15	19
£70,000 - £74,999	9	10	19	13	4	17
£75,000 - £79,999	2	4	6	5	10	15
£80,000 - £84,999	3	1	4	7	1	8
£85,000 - £89,999	-	3	3	1	1	2
£90,000 - £94,999	3	2	5	-	1	1
£95,000 - £99,999	1	2	3	-	2	2
£100,000 - £104,999	1	-	1	2	1	3
£105,000 - £109,999	-	-	-	2	-	2
£110,000 - £114,999	2	-	2	-	-	-
£115,000 - £119,999	2	1	3	-	-	-
£120,000 - £124,999	-	-	-	4	-	4
£125,000 - £129,999	-	-	-	-	-	-
£130,000 - £139,999	-	-	-	3	-	3
£140,000 - £199,999	-	-	-	-	-	-
£200,000 - £204,999	1	-	1	-	-	-
	82	**157**	**239**	**119**	**150**	**269**

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

(a) Exit Package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band		(b) Total cost of exit packages in each band	
	2012/13	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**	**2012/13 £'000**	**2013/14 £'000**
£ 0 - £ 20,000	-	2	133	95	133	97	916	977
£ 20,001 - £ 40,000	-	-	37	47	37	47	1,082	1,308
£ 40,001 - £ 60,000	-	-	9	3	9	3	404	148
£ 60,001 - £ 80,000	-	-	5	1	5	1	352	66
£ 80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	7	-	7	-	205	-
	-	**2**	**191**	**146**	**191**	**148**	**2,959**	**2,499**

34. EXTERNAL AUDIT COSTS

In 2013/14 the following fees were paid relating to external audit and inspection:

	2012/13	2013/14
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	212	212
Fees payable to Grant Thornton for the certification of grant claims and returns	43	40
Fees payable to Grant Thornton in respect of other services provided by the appointed auditor	50	2
Total	**305**	**254**

35. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the council's area. 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 2011.

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 2013/14 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2013/14 (prior to Academy Recoupment)			234,905
Academy figure recouped for 2013/14			(59,552)
Final DSG for 2013/14			175,353
Brought forward from 2012/13			2,000
Carry forward to 2014/15 agreed in advance			(2,402)
Agreed initial budgeted distribution 2013/14	25,278	149,673	174,951
In year adjustments	(80)	80	-
Final budgeted distribution for 2013/14	25,198	149,753	174,951
less: Actual central expenditure	(23,797)		(23,797)
less: Actual ISB deployed to schools		(149,753)	(149,753)
Authority contribution for 2013/14			**-**
Carry forward to 2014/15 agreed in advance			2,402
Total carried forward to 2014/15	**1,401**	**-**	**3,803**

Comparative figures for 2012/13 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	**£'000**	**£'000**
Final DSG for 2012/13 (prior to Academy Recoupment)			227,017
Academy figure recouped for 2012/13			(46,697)
Final DSG for 2012/13			180,320
Brought forward from 2011/12			2,256
Carry forward to 2013/14 agreed in advance			(1,528)
Agreed initial budgeted distribution 2012/13	18,232	162,816	181,048
Final budgeted distribution for 2012/13	18,232	162,816	181,048
less: Actual central expenditure	(17,760)		(17,760)
less: Actual ISB deployed to schools		(162,816)	(162,816)
Authority contribution for 2012/13	**-**	**-**	**-**
Carry forward to 2013/14 agreed in advance			**1,528**
Total carried forward to 2013/14	**472**	**-**	**2,000**

36. GRANT INCOME

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

Credited to Taxation and Non Specific Grant Income:	**2012/13**		**2013/14**	
	£'000	**£'000**	**£'000**	**£'000**
Revenue Grants :				
Revenue Support Grant	2,963		106,967	
National Non Domestic Rates	145,208		-	
Schools Private Finance Initiative	5,471		5,471	
Education Services Grant	-		5,006	
New Homes Bonus Grant	919		2,120	
Business Rate Relief	-		1,206	
Troubled Families Grant	-		1,148	
Capitalisation Redistibution Grant	-		564	
Non Specific Adoption Grant	-		520	
Severe Flooding Payments for Business Rate	-		337	
Local Services Support Grant	812		257	
Council Tax Freeze Grant	3,323		-	
Other Revenue Grants (less than £250k)	-		283	
Total Revenue Grants		**158,696**		**123,879**
Capital Grants :				
Standards Fund	6,416		4,858	
Transport Supplementary Grant	4,118		4,527	
LAA Reward Grant	-		1,811	
LSTF Major Bid	-		1,197	
Community Capacity	956		968	
LSTF Key Components	461		183	
Other Capital Grants (less than £250k)	709		377	
Total Capital Grants		**12,660**		**13,921**
Total Credited to Taxation and Non Specific Grant Income		**171,356**		**137,800**

In 2013/14 there were major changes and reductions to the grant funding that the Council received from Central Government. Additional changes to the collection of National Non- Domestic Rates and reforms of the Council Tax support scheme have also impacted on the non specific grant income received.

For the year, grants previously credited to services such as Council Tax Benefit (£23.8 million) Learning Disabilities and Health Reform Grant (£7.1 million) and Early Intervention Grant (£11.1 million) have all transferred into revenue support grant. Support received from the National Non Domestic Rates pool in 2012/13 was reduced and along with Council Tax Freeze grant was also transferred into the Revenue Support Grant (£64.4 million).

	2012/13	2013/14
	£'000	£'000
Credited to Services:		
Dedicated Schools Grant	180,320	175,353
Housing Benefits	170,345	136,573
Public Health Grant	-	25,720
Pupil Premium	7,412	10,660
16-19 Further Education YPLA	10,527	6,854
Housing Benefits Admin Grant	-	2,824
Local Welfare Assistance Scheme	-	1,630
Discretionary Housing Payments	-	1,103
Adult Safeguarded Learning	838	840
Music Grant	848	808
Youth Justice Board	838	775
Step Up to Social Work	797	754
Local Sustainable Transport Fund	408	711
PE & Sports Grant	-	548
Crime and Disorder Reduction Grant	-	407
Worklessness Grant	1,204	377
Rates Relief	428	340
Early Intervention Grant	15,720	-
Learning Disabilities & Health Reform Grant	6,901	-
Disabled Facilities Grant	2,194	-
Intensive Family Intervention Fund	934	-
Public Health Innovation Fund	656	-
Framework Academies	570	-
Apprentice	351	-
Health Contribution to DAAT	304	-
Big Lottery	32	-
Other	1,193	2,623
Total Credited to Services	**402,820**	**368,900**

Grants credited to Services has reduced by £33.9 million in 2013/14 (2012/13 £23 million). The main reason for this is because a number of grants are no longer specific grants that are credited to services.

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

	31 March 2013	31 March 2014
	£'000	£'000
Grants Receipts in Advance		
Regional Growth Fund	-	1,323
Cluster of Empty Homes	-	1,254
Milberry Properties	275	275
Aiming Higher - Disabled Children	490	233
Local Area Agreement Reward Grant	1,811	-
Other	299	105
Total Grant Receipts in Advance	**2,875**	**3,190**

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

37. 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. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government
Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the analysis in note 36 on page 112.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2013/14 is shown in note 32 on page.106. Members have also declared interests, where required, in a number of organisations which received funding or payments for works and services in the year. These particularly related to payments to Magenta Living, formerly known as Wirral Partnership Homes, with a value of £0.8 million (£1.1 million 2012/13) and various voluntary organisations to which the Council made payments of £0.2 million in the year.(£0.2 million in 2012/13).

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

Officers
No material declarations of interest were made in the year.

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

	Number of Repre-sentatives	Precept/ Levy 2012/13 £'000	Precept/ Levy 2013/14 £'000
Merseyside Police Authority	3	15,974	13,384
Merseyside Fire and Rescue Service	4	7,144	6,661
Merseyside Recycling and Waste Authority	2	14,687	15,573
Merseyside Port Health	6	88	62
Merseytravel	4	29,060	29,497

The Council has a pooled budget arrangement with Wirral Community NHS Trust for the provision of integrated community equipment services. Further details are contained in note 30 on page 105.

The Council acts as the administering authority to Merseyside Pension Fund and charged the Fund £3.7 million (2012/13 £3.8 million) for administration and investment management costs.

38. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Summary of Capital Expenditure and Financing	**2012/13**	**2013/14**
	£'000	**£'000**
Capital Investment		
Property, Plant & Equipment	22,518	20,881
Intangible Assets	-	-
Investment Properties	1	-
Asset Held for Sale	38	-
Revenue Expenditure Funded from Capital under Statute	10,292	4,352
Long Term Debtors	479	469
	33,328	**25,702**
Sources of Finance		
Unsupported Borrowing	(5,633)	(748)
Capital Receipts	(2,547)	(1,543)
Government Grants and Other Contributions	(24,853)	(23,405)
Revenue Provision	(295)	(6)
	(33,328)	**(25,702)**
Opening Capital Financing Requirement	**379,568**	**367,196**
Closing Capital Financing Requirement	**367,196**	**355,136**

39. LEASES

Finance Leases

Council as Lessee

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

	31 March 2013	31 March 2014
	£'000	£'000
Vehicles, Plant and Equipment	2,010	607
	2,010	**607**

The Council is committed to make minimum payments under these leases comprising settlement of long-term liability for the interest in the property acquired by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2013	31 March 2014
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments):		
• current	636	54
• non-current	540	18
Finance costs payable in future years	141	4
Minimum lease payments	**1,317**	**76**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£'000	£'000	£'000	£'000
Not later than one year	636	54	636	54
Later than one year and not later than five years	681	22	540	18
Later than five years	-	-	-	-
	1,317	**76**	**1,176**	**72**

The Council has assets acquired under Finance Leases which are sub-leased to schools that were granted Academy status during 2011/12. These lease payments ended in financial year 2012/13 and therefore no payments are due for these sub-leased assets in 2013/14.

Council as Lessor

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

Property	Lessor	Remaining Term
Birkenhead Market	Birkenhead Market Ltd	114 years
Wirral Country Park Caravan Site (Touring)	The Caravan Club Ltd	15 years
Wirral Country Park Caravan Site (Static)	The Caravan Club Ltd	35 years
New Brighton Marine Point	Neptune Developments	248 years

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

	31 March 2013	31 March 2014
	£'000	**£'000**
Finance lease debtor (net present value of minimum lease payments):		
• current	3	3
• non-current	2,672	2,670
Unearned finance income	26,682	26,390
Unguaranteed residual value of property	-	-
Gross investment in the lease	**29,357**	**29,063**

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

	Investment in the Lease 31 March 2013 £000	Lease Payments 31 March 2013 £000	Investment in the Lease 31 March 2014 £000	Lease Payments 31 March 2014 £000
	£'000	**£'000**	**£'000**	**£'000**
Not later than one year	287	95	287	78
Later than one year and not later than five years	1,146	324	1,146	269
Later than five years	27,924	1,179	27,630	1,056
	29,357	**1,598**	**29,063**	**1,403**

Operating Leases

Council as lessee
There are currently no such leases in existence.

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

	31 March 2013	31 March 2014
	£'000	£'000
Not later than one year	640	573
Later than one year and not later than five years	679	541
Later than five years	156	126
	1,475	**1,240**

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

40. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

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

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

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

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

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

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

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

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

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

Valuation information for PFI assets recognised in the Balance Sheet:

	Leasowe Primary	Wallasey High	Total
	£'000	£'000	£'000
Movement in 2013/14			
Valuation			
Valuation at 1 April 2013	3,065	9,550	12,615
Revaluations	(2,012)	(6,315)	(8,327)
Accumulated Depreciation at 1 April 2013	(396)	(1,242)	(1,638)
Depreciation 2013/14	(48)	(225)	(273)
Depreciation adjustment due to revaluation	422	1,460	1,882
Accumulated Depreciation at 31 March 2014	(22)	(7)	(29)
Net Book Value			
at 31 March 2014	1,031	3,228	4,259
at 31 March 2013	2,669	8,308	10,977
Comparative Movement in 2012/13			
Valuation at 1 April 2012	3,044	9,550	12,594
Additions	21	-	21
Accumulated Depreciation at 1 April 2012	(320)	(1,004)	(1,324)
Depreciation 2012/13	(76)	(238)	(314)
Accumulated Depreciation at 31 March 2013	(396)	(1,242)	(1,638)

Both schools are held on a 30 year lease and are leased back to the Council. In 2013/14, a different valuation approach has been used to reflect the lease in the accounts, which effectively defers the value until the end of the lease. This change in the valuation method accounts for the reduction in the value of the schools reflected in the Balance Sheet

Payments

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

	Services	Lease Liability	Interest	Life cycle costs	Total
	£'000	£'000	£'000	£'000	£'000
Payable in 2014/15	3,115	2,122	1,871	788	7,896
Payable within 2 - 5 years	11,508	10,411	6,678	2,986	31,583
Payable within 6 - 10 years	14,559	14,528	6,219	4,172	39,478
Payable within 11 - 15 years	14,755	18,676	3,455	2,592	39,478
Payable within 16 - 20 years	7,002	9,372	422	503	17,299
Total	**50,939**	**55,109**	**18,645**	**11,041**	**135,734**

The unitary payment in 2013/14 is £10.922 million allocated as follows

	2012/13	2013/14
	£'000	£'000
Service costs	4,159	4,284
Interest and similar charges	3,420	3,509
Lease liability	2,051	991
Life cycle costs	996	2,138
	10,626	**10,922**

The value of the outstanding lease liability which reflects both the short and long term is:

	2012/13	2013/14
	£'000	£'000
Balance outstanding at start of year	59,443	57,239
Lease payments during the year	(2,051)	(2,138)
Other movements	(153)	8
	57,239	55,109

In calculating the future unitary payments to the end of the contract from 2013/14 onwards, the most up to date information available has been used. This gives a more accurate estimate of the total outstanding liability. However, substituting this information effectively reduced the calculation of the liability at 31 March 2014 by £8,000. The annual unitary payment is increased by the Retail Price Index less 10%. For 2014/15 onward the RPI has been estimated using the most up to date information as opposed to the estimates in the operator's financial model.

41. TERMINATION BENEFITS

In 2012/13 the Council commenced a major restructuring of its departmental operations. This continued in 2013/14 and has seen changes in the operational arrangements at director, head of service and senior manager level. The requirement to make budget reductions in 2013/14 has also seen further reviews and restructuring of a number of Council services.

As a consequence of these changes to the Councils organisation Wirral has incurred termination payments and liabilities of £2.5 million in 2013/14 (2012/13 £5.3 million). This covers the costs of staff severance packages where the detailed restructuring of a service area has either occurred in 2013/14 or is demonstrably committed to take place in 2014/15.

In anticipation of further reductions in funding in the years to come the Council in 2013/14 established a Remodelling Reserve which stood at £14.2 million at the year end. This is to cover future costs from service reorganisations and other expenditure associated with changing Council services in the coming years.

Note 33 on page109 provides details of the number of exit packages and total cost per band where the Council has agreed packages with specific employees i.e. those packages for which the Council is demonstrably committed. The sums shown at note 33 include amounts committed to in 2013/14 as well as the £2.5 million disclosed above.

42. LONG TERM DEBTORS

	Repay-ment of former MCC Debt	Regen-eration Property Loans	Repay-ment of Council Mortgages	Leases	Total
	£'000	£'000	£'000	£'000	£'000
Balance 1.4.2012	**58,091**	**2,142**	**66**	**2,675**	**62,974**
Advances	-	480	-	-	480
Repaid/reclassified	(4,469)	-	(24)	-	(4,493)
Balances 31.3.2013	**53,622**	**2,622**	**42**	**2,675**	**58,961**
Balance 1.4.2013	**53,622**	**2,622**	**42**	**2,675**	**58,961**
Advances	-	469	-	-	469
Repaid/reclassified	(4,469)	-	(14)	(1)	(4,484)
Balances 31.3.2014	**49,153**	**3,091**	**28**	**2,674**	**54,946**

43. OTHER LONG TERM LIABILITIES

	Right to Buy / Mortgage	PFI Long term liability	Other lease liability	Pensions liability	Total
	£'000	£'000	£'000	£'000	£'000
Balance 1.4.2012	**208**	**57,616**	**1,088**	**395,078**	**453,990**
Advances	336	-	-	-	336
Repayments	(24)	(2,478)	(549)	-	(3,051)
Deficit funding	-	-	-	76,965	76,965
Balance 31.3.2013	**520**	**55,138**	**539**	**472,043**	**528,240**
Balance 1.4.2013	**520**	**55,138**	**539**	**472,043**	**528,240**
Advances	279	-	-	-	279
Repayments	(14)	(2,150)	(521)	-	(2,685)
Deficit funding	-	-	-	(102,846)	(102,846)
Balance 31.3.2014	**785**	**52,988**	**18**	**369,197**	**422,988**

44. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

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

In 2013/14, the Council paid £9.49 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.5% of pensionable pay. The comparable figures for 2012/13 were £9.94 million and 14.1% respectively. There were no contributions remaining payable at the year-end.

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

In 2013/14 the Council paid £3 million by way of enhanced pensions, with the equivalent figure in 2012/13 being £3.1 million.

Public Health

Public Health staff who transferred to the Council on 1 April 2013 remained members of the NHS Pension Fund. The Scheme provides members with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members’ pensionable salaries.

The Scheme is an unfunded defined contributions scheme. The Council is not able to identify its share of underlying financial position and performance of the Scheme for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013/14, the Council paid £0.2 million to the NHS Pension Fund in respect of retirement benefits, representing 14% of pensionable pay. No comparable payments were made in 2012/13. There were no contributions remaining payable at the year-end.

45. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

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

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Unfunded Teachers Scheme	
	2012/13 £'000	**2013/14 £'000**	**2012/13 £'000**	**2013/14 £'000**	**2012/13 £'000**	**2013/14 £'000**
Comprehensive Income and Expenditure Statement						
Cost of Services:						
• current service costs	22,475	27,141	-	-	-	-
• past service costs	-	2	-	-	-	-
• settlements and curtailments	(8,034)	3,328	-	-	-	-
Other Operating Expenditure:						
• Administration costs	489	587	-	-	-	-
Financing and Investment Income and Expenditure						
• Net interest cost	14,882	15,957	1,806	1,630	1,532	1,342
Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services	29,812	47,015	1,806	1,630	1,532	1,342

(Table continued on the following page)

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Unfunded Teachers Scheme	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£'000	£'000	£'000	£'000	£'000	£'000
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
• remeasurement of the net defined benefit liability						-
- return on plan assets	-	2,712	-	-	-	-
- actuarial gains and losses arising from changes in demographic assumptions	-	6,283	-	521	-	395
- actuarial gains and losses arising from changes in financial assumptions	-	(94,071)	-	(1,322)	-	(1,792)
- actuarial gains and losses arising from experience	69,843	(33,934)	2,943	1,872	4,461	(270)
• Total remeasurement of the net defined benefit liability	69,843	(119,010)	2,943	1,071	4,461	(1,667)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	99,655	(71,995)	4,749	2,701	5,993	(325)
Movement in Reserves Statement						
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(29,812)	(47,015)	(1,806)	(1,630)	(1,532)	(1,342)
Actual amount charged against the General Fund Balance for pensions in the year:						
• employers' contributions payable to scheme	27,562	27,407	-	-	3,056	3,018
• retirement benefits payable to pensioners	-	-	2,814	2,802	-	-

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2014 is a gain of £119.6 million.

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits		Unfunded Teachers Scheme	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	1,014,332	1,174,356	38,265	40,200	34,835	37,772
Current service cost	22,475	27,141	-	-	-	-
Interest cost on liabilities	48,746	48,611	1,806	1,630	1,532	1,342
Contributions by scheme participants	7,761	7,428	-	-	-	-
Remeasurements (Liabilities)	126,846	(121,722)	2,943	1,071	4,461	(1,667)
Benefits paid	(34,863)	(40,439)	(2,814)	(2,802)	(3,056)	(3,018)
Past service costs/ (gain)	-	2	-	-	-	-
Curtailments	702	3,983	-	-	-	-
Settlements	(11,643)	(677)	-	-	-	-
Closing balance at 31 March	**1,174,356**	**1,098,683**	**40,200**	**40,099**	**37,772**	**34,429**

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

	Local Government Pension Scheme		Unfunded liabilities Discretionary Benefits	
	2012/13	2013/14	2012/13	2013/14
	£'000	£'000	£'000	£'000
Opening balance at 1 April	692,354	780,285	-	-
Interest on plan assets	33,864	32,654	-	
Remeasurements (Assets)	57,003	(2,712)	-	
Employer contributions	27,562	27,395	2,814	2,802
Contributions by scheme participants	7,761	7,428	-	-
Benefits paid	(34,863)	(40,427)	(2,814)	(2,802)
Administration costs	(489)	(587)	-	-
Settlements	(2,907)	(22)	-	-
Closing balance at 31 March	**780,285**	**804,014**	**-**	**-**

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

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

The actual return on scheme assets in the year was £29.942 million (2012/13: £90.378 million).

Scheme History	2009/10	2010/11	2011/12	2012/13	2013/14
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:					
Local Government Pension Scheme	997,404	945,813	1,014,332	1,174,356	1,098,683
Discretionary Benefits	43,061	38,108	38,265	40,200	40,099
Teachers pension scheme	36,022	34,731	34,835	37,772	34,429
	1,076,487	**1,018,652**	**1,087,432**	**1,252,328**	**1,173,211**
Fair value of assets:					
Local Government Pension Scheme	652,616	683,832	692,354	780,285	804,014
Surplus/(deficit):					
Local Government Pension Scheme	(344,788)	(261,981)	(321,978)	(394,071)	(294,669)
Discretionary Benefits	(43,061)	(38,108)	(38,265)	(40,200)	(40,099)
Teachers pension scheme	(36,022)	(34,731)	(34,835)	(37,772)	(34,429)
Total	**(423,871)**	**(334,820)**	**(395,078)**	**(472,043)**	**(369,197)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £369 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £105.1 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £27.4 million (2012/13 £25.1 million). Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2014 are £2.8 million (2012/13 £2.8 million). Expected contributions to unfunded teachers pensions in the year to 31 March 2014 are £3.0 million (2012/13 £3.1 million).

Basis for Estimating Assets and Liabilities

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

Mercers, an independent firm of actuaries, estimates for the Merseyside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013.
The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2012/13	**2013/14**
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.0%	7.0%
Government Bonds	2.8%	3.4%
Other Bonds	3.9%	4.3%
Property	5.7%	6.2%
Cash / Liquidity	0.5%	0.5%
Other	7.0%	Variable
Mortality assumptions:		
Longevity at 65 for current pensioners in years:		
• Men	21.8	22.3
• Women	24.7	25.2
Longevity at 65 for future pensioners in years:		
• Men	23.7	24.7
• Women	26.6	28.0
Rate of CPI inflation	2.4%	2.4%
Rate of increase in salaries	3.9%	3.9%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	4.2%	4.5%

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions contained in the above table. An analysis has been made of the sensitivity of the assumptions made based on reasonably possible changes occurring at the end of the reporting period. The sensitivity analysis assumes for each change that only the assumptions for each individual part might vary, with all other assumptions remaining constant. The assumptions for longevity, for example, assume that life expectancy increases or decreases for both men and women. In practice this may not occur and changes to some of the assumptions may be inter-related.

The estimates and assumptions used to prepare the sensitivity analysis contained in the following table have followed the accounting policies for the scheme having been calculated using the projected unit credit method and remain unchanged from those used in the previous reporting period.

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Sensitivity Analysis

Merseyside Pension Fund

Disclosure Item	Current £'000	Discount Rate + 0.1% p.a. £'000	Inflation Rate + 0.1% p.a. £'000	Pay Growth + 0.1% p.a. £'000	1 year increase in life expectancy £'000
Liabilities	1,138,782	1,118,255	1,159,686	1,143,884	1,161,237
Assets	(804,014)	(804,014)	(804,014)	(804,014)	(804,014)
Deficit/(Surplus)	334,768	314,241	355,672	339,870	357,223
Projected service cost for next year	24,289	23,720	24,880	24,289	24,841
Projected net interest cost for next year	14,385	13,760	15,388	14,677	15,458

Teachers Additional Unfunded pensions

Disclosure Item	Current £'000	Discount Rate + 0.1% p.a. £'000	Inflation Rate + 0.1% p.a. £'000	1 year increase in life expectancy £'000
Liabilities	34,429	34,139	34,723	35,346
Deficit/(Surplus)	34,429	34,139	34,723	35,346
Projected net interest cost for next year	1,416	1,436	1,428	1,455

Asset Breakdown
The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2012/13 %	2013/14 %
Equities	56.9	56.9
Government Bonds	5.1	4.2
Other Bonds	13.5	12.2
Property	7.9	8.0
Alternatives	14.6	16.1
Cash Instruments	2.0	2.6
	100.0	100.0

Discretionary benefits arrangements have no assets to cover its liabilities.

History of Experience Gains and Losses
The actuarial gains identified as movements on the Pensions Reserve in 2013/14 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2014:

	2009/10 %	2010/11 %	2011/12 %	2012/13 %	2013/14 %
Differences between the expected and actual return on assets	(20.35)	1.49	(4.09)	6.46	0.74
Experience gains and losses on liabilities	-	6.10	-	-	-

Qualitative Disclosures required under IAS19

Under the revised IAS19, the Council is required to disclose additional information in relation to the Pension Fund. This information has been provided by the Mercers, the firm of actuaries responsible for valuing the Merseyside Pension Fund and for completeness has been reproduced below in its entirety.

Merseyside Pension Fund

Retirement benefit obligations
At 31 March 2014 the authority's principal pension arrangement for its employees was the Merseyside Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Merseyside Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years. The latest actuarial valuation of the Fund was carried out at 31 March 2013, and at that date showed a funding level of 76% (assets of £5.82bn against accrued liabilities of about £7.69bn). The weighted average duration of the liabilities of the Fund as a whole is 18 years, measured on the IAS19 actuarial assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

In addition, the authority also participates in some other defined benefit pension arrangements, also governed under statute, but these other schemes are unfunded. These other arrangements relate to:

- Teachers. The authority's costs in relation to this arrangement are set by central government as a percentage of contributing members' pay. The related funding risks are borne by central government. The authority is, however, responsible for paying some additional pensions to retired teachers which were awarded at the point of retirement.
- Health workers. Again, the authority's costs in relation to this scheme are set by central government as a percentage of contributing members' pay. The related funding risks are borne by central government.

Governance and Risk Management

The liability associated with the authority's pension arrangements is material to the authority, as is the cash funding required. The details in relation to each arrangement, including the relevant provisions for governance and risk management, are set out below.

Nature of Fund

The Fund targets a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31 March 2014 and on revalued average salary (a "career average" scheme) for service from 1 April 2014 onwards.

Governance

Wirral Metropolitan Borough Council is the Administering Authority of the Fund. The overall responsibility for the management of the Fund rests with the Pensions Committee. The committee comprises Councillors and representatives from other employers.

The Pensions Committee reviews the Fund's investments, administration, strategies and policies at regular intervals, with the help of its various professional advisers, to ensure that they remain appropriate. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by an Investment Monitoring Working Party, which includes representatives from the Pensions Committee and external advisors.

Funding the liabilities

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2013, which showed a shortfall of assets against liabilities of £1.87

billion as at that date, equivalent to a funding level of 76%. The fund's employers are paying additional contributions over a period of up to 22 years in order to meet the shortfall.

The weighted average duration of the authority's defined benefit obligation is 21 years, measured on the actuarial assumptions used for IAS19 purposes.

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

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

A mix of short term assets such as bonds and cash is maintained to cover short term liabilities while equities, private equity and direct property are held to benefit from the potential rewards arising from volatility and illiquidity risks. The Fund recognises that risk is inherent in investment activity and seeks to manage these risks.

Market Price / Interest rate / Currency risk
Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The Fund manages investment risks through having a broad diversification of types of investment and investment managers and has comprehensive monitoring procedures for investment managers.

Credit risk
Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. The Fund does not hold any fixed interest securities directly and the managers of the pooled fixed income vehicles are responsible for managing credit risk. The short term cash deposits and other investment balances are diversified with investment grade financial institutions. The Fund has a treasury management policy that is compliant with current best practice.

Liquidity risk
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's key priority is to pay pensions in the long term and in the short term and the asset allocation is the key strategy in ensuring this. To ensure liquidity for payment of pensions the Fund has a cash allocation, and further amounts which could be realised in under 7 days notice. The Fund has no borrowing or borrowing facilities. The management of the Fund also prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows.

Other risks
Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the authority's cash flow.

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.

Amendments, curtailments and settlements
The provisions of the Fund were amended with effect from 1 April 2014. As explained above for service up to 31 March 2014 benefits were based on salaries when members leave the scheme, whereas for service after that date benefits are based on career average salary. Further details of the changes are available from the authority.

Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that provision has not already been made for the relevant defined benefit obligations.

Settlements shown in the accounting figures relate to the admission of new employers into the Fund, and who take on part of the authority's assets and liabilities as a result of employing members who have accrued benefits with the authority.

Schemes for Teachers and Health Workers

Nature of Funds
The Funds target a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31 March 2015 and on revalued average salary (a "career average" scheme) for service from 1 April 2015 onwards.

Governance
These arrangements are managed centrally by government departments/agencies, and there is no material involvement for the authority.

Funding the liabilities
Contributions to the arrangements are set by the government, having taken advice from the government actuary. Again, the authority has no material involvement in this process. The exception to this is the additional pensions to retired teachers which were awarded at the point of retirement, and for which the authority is responsible. The weighted average duration of these particular liabilities is 8 years, measured on the actuarial assumptions used for IAS19 purposes.

Investment Risks
There are no investment risks in relation to these arrangements, given their unfunded nature. The greatest single risk is that the government could change the

funding standards relating to them, which could increase the authority's contributions to them.

Other risks
There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.

The methods used to carry out the sensitivity analyses presented above for the material assumptions are the same as those the authority has used previously. The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remain the same. This approach is not necessarily realistic, since some assumptions are related: for example, if the scenario is to show the effect if inflation is higher than expected, it might be reasonable to expect that nominal yields on corporate bonds will increase also. However, it enables the reader to isolate one effect from another.

46. TRUST FUNDS

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

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

	Income	Expenditure	Assets	Liabilities
	£'000	£'000	£'000	£'000
EF Callister	-	-	373	-
Stitt Scholarship	-	-	37	-
Criminal Injuries	-	-	6	-
Other	1	-	85	-
	1	-	501	-

47. CONTINGENT ASSETS AND LIABILITIES

Magenta Living (formerly Wirral Partnership Homes)
On the transfer of the Council housing stock in 2005, an environmental warranty was agreed with Magenta Living. This warranty requires remediation of any environmental contamination. It has been agreed that the funding of such costs will be from the Community Fund see note 31 on page 105).

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 has been incorporated into the Future Council project. This is examining all Council services and will, in 2014/15, assess the cost of restructuring a range of Council services. The accounts include sums set aside as

a contribution towards these additional costs, which will become payable in the coming financial years.

Grant Funding
The Council has received grant funding to implement a number of projects and initiatives. These grants have been awarded to the Council by a variety of bodies over a number of years. The Council has a potential liability to repay any grant should the grant issuing body require us to do so due to the outcome of a future event such as an unsuccessful project. The Councils potential liability will be reviewed on an annual basis and new information assessed to determine if a provision or repayment of grant funding is required.

NNDR Appeals
The Council has made a provision for NNDR appeals based upon its best estimate of the actual liability in known appeals at 31 March 2014. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office. However, as appeals can be backdated for several years it is possible that additional costs could be incurred by the Council if any subsequent appeals are successful.

48. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA’s Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities (both revised in November 2011).

As part of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government Investment Guidance for Local Authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council’s Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

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

Credit Risk
The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, and

other local authorities without credit ratings. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment. A limit is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £30 million in total can be invested for a period longer than one year.

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk applies to all of the Council's deposits, whereby they may become irrecoverable but there was no evidence at the 31 March 2014 that this was likely to crystallise.

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2014 by the counterparty's country of origin and its credit rating. The table confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

Financial Institution / Instrument and Country	Credit Rating *	Maturity of Investment					Balance Invested as at 31.03.14
	Long Term Rating	Cash Equivalent	0-3 Months	3-6 Months	6-12 Months	Over 12 Months	
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loans & Receivables							
Banks							
UK Banks	A	10,960	-	5,000	-	-	15,960
Building Societies							
UK Building Societies	A	-	-	2,000	5,000	-	7,000
Other Local Authorities	n/a	-	-	8,000	6,000	2,000	16,000
Total Loans & Receivables		**10,960**	**-**	**15,000**	**11,000**	**2,000**	**38,960**
Available for sale financial assets							
Gilts	AAA	-	1,000	-	-	-	1,000
Other Externally Managed Funds	AAA	18,500	-	-	-	-	18,500
Total Available for sale financial assets		**18,500**	**1,000**	**-**	**-**	**-**	**19,500**
Total Financial Instruments		**29,460**	**1,000**	**15,000**	**11,000**	**2,000**	**58,460**

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

Trade Debtors

Trade debtors are also subject to non payment, a bad debt provision is calculated for these based on the historic experience of levels of default. By including these provisions within the accounts the credit risk is recognised in the accounts.

2012/13	Trade Debtors	2013/14
£'000		£'000
20,136	Gross Debtors	15,861
(10,900)	Bad Debt Provision	(7,208)
9,236	**Net Trade Debtors**	**8,653**

Liquidity Risk

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

The maturity analysis of the nominal value of the Council's debt at 31 March 2014 was as follows

	31 March 2014	
Maturity of Borrowing (Years)	**£'000**	**%**
Short Term Borrowing		
Less than 1 year	13,025	6.00
Total Short Term Borrowing	**13,025**	**6.00**
Long Term Borrowing:-		
Over 1 year under 2 years	7,525	3.46
Over 2 years under 3 years	8,025	3.69
Over 3 years under 4 years	8,525	3.93
Over 4 years under 5 years	7,034	3.24
Over 5 years under 10 years	23,300	10.73
Over 10 years under 20 years	18,729	8.62
Over 20 years under 40 years	33,000	15.20
Over 40 years under 60 years	79,500	36.61
Over 60 years under 70 years	18,500	8.52
Total Long Term Borrowing	**204,138**	**94.00**
Total Borrowing	**217,163**	**100.00**

Market Risk

(a) 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 2014 100% of the debt portfolio was held in fixed rate instruments.

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

If all interest rates had been 1% higher (with all other variables held constant) the financial effect on investment income would have been an increase of approximately £0.83 million. There would be no effect on interest payable on borrowings as all borrowings held are at fixed rates of interest.

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

(b) 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).

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

49. Prior Period Re-statement

In 2013-14 it has been necessary to restate 2012/13 accounts to reflect the adoption of revised reporting requirements on pensions costs under IAS 19 (Employee Benefits).

The changes are presentational, only impacting on where expenditure and income is reported within the Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement (MIRS). There is no impact on the opening or closing balance sheet as a result of the adoption of the revised standard.

The changes have resulted in changes to the CIES resulting in the recognition of an additional £0.537 million in the cost of services, the recognition of £0.489 million as Pensions administration costs within Other Operating Expenses, an additional £5.564 million as Financing and Investment Income and a reduction of £6.59 million in the re-measurement of the net defined pensions benefit liability.

MIRS (Lines affected by the changes only)	**2012/13 Original**	**Adjustment**	**2012/13 Re-stated**
	£'000	**£'000**	**£'000**
General Fund Balance			
Surplus or (deficit) on the provision of services	(20,272)	(6,590)	(26,862)
Adjustments between accounting basis and funding basis under regulation	5,394	6,590	11,984
Unusable Reserves	5,857	(6,590)	(733)

CIES (Lines affected by the changes only)	Original Net Expenditure 2012/13	Adjustment	Re-stated Net Expenditure 2012/13
	£'000	£'000	£'000
Continuing Operations			
Central services to the public	6,008	12	6,020
Culture and related services	27,417	77	27,494
Planning services	7,718	32	7,750
Environment and regulatory services	21,168	26	21,194
Education and children's services	70,411	285	70,696
Highways and transport services	16,456	16	16,472
Other housing services	16,262	27	16,289
Adult social care	84,150	60	84,210
Corporate and democratic core	5,621	2	5,623
Non-distributed costs	(5,224)	0	(5,224)
Cost of Services	249,987	537	250,524
Other operating expenditure	53,205	489	53,694
Financing and investment income and expenditure	21,216	5,564	26,780
(Surplus) or deficit on the provision of services	20,272	6,590	26,862
Re-measurement of the net defined pensions liability	83,837	(6,590)	77,247

Cash Flow Statement (Lines affected by the changes only)	2012/13 Original	Adjustment	2012/13 Re-stated
	£'000	£'000	£'000
Adjust net (surplus) / deficit on the provision of services for non cash movements	(34,543)	(6,590)	(41,133)

Additional Financial Statements

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

	2012/13		2013/14	
	£'000	£'000	£'000	£'000
Council Tax				
Income				
Council Tax due for the Year (Note 2)		124,352		135,019
Transfers from the General Fund				
- Council Tax Benefits	31,153		-	
- Pensioner Discounts	1,300	32,453	1,321	1,321
Contribution from Preceptors to previous years estimated deficit (Note 6)		-		-
		156,805		136,340
Expenditure				
Precepts (Note 3)				
- Wirral Council	132,911		111,358	
- Police & Crime Commissioner for Merseyside	15,975		13,383	
- Merseyside Fire & Rescue Service	7,144	156,030	5,985	130,726
Provision for Bad and Doubtful Debts (Note 4)		929		3,182
Contribution to Preceptors to previous years estimated surplus (Note 6)		1,700		-
		158,659		133,908
Council Tax - Net Expenditure / (Income) in the year		**1,854**		**(2,432)**
NNDR (Business Rates)				
Income				
NNDR due for the year (Note 3)		64,913		68,305
Contribution from Preceptors to previous years estimated deficit (Note 6)		-		-
		64,913		68,305
Expenditure				
Cost of Collection		340		340
Transitional Arrangements		-		263
Payment to Central Government (Note 3)		64,573		33,812
Payments to Major Preceptors (Note 3)				
- Wirral Council	-		33,135	
- Merseyside Fire & Rescue Service	-	-	676	33,811
Provision for Bad and Doubtful Debts (Note 4)		-		1,574
Provision for Appeals (Note 4)		-		3,192
Contribution to Preceptors to previous years estimated surplus (Note 6)		-		-
		64,913		72,992
NNDR - Net Expenditure / (income) in the year		**-**		**4,687**

	2012/13 £'000	2013/14 £'000
Council Tax		
Opening balance at 1 April	(2,306)	(452)
Movement in Year	1,854	(2,432)
Closing balance at 31 March	(452)	(2,884)
NNDR (Business Rates)		
Opening balance at 1 April	-	-
Movement in Year	-	4,687
Closing balance at 31 March	-	4,687
Overall Collection Fund balance 31 March	**(452)**	**1,803**

In accordance with revised accounting practice, the Collection Fund balance has been allocated in 2013/14 to individual preceptors, which includes Wirral Council (see Note 6 on page 148).

NOTES TO THE COLLECTION FUND

1. GENERAL

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local government bodies and Central Government of council tax and non-domestic rates.

Collection Fund surpluses and deficits declared by the billing authority relating to Council Tax are apportioned to the relevant precepting bodies in the following financial year. The precepting bodies for Council Tax for Wirral are the Police & Crime Commissioner for Merseyside, and Merseyside Fire & Rescue Service.

2013/14 was the first year of the new Business Rates Retention scheme. Under the scheme rate income is collected and apportioned between Wirral Council (49%), Merseyside Fire and Rescue Service (1%) and Central Government (50%). The main aim of the new scheme is to give Councils further incentive to grow the economy in the Borough. However financial risk is also increased due to the volatile nature of the NNDR tax base and non-collection.

As with Council Tax, Collection Fund surpluses and deficits declared by the billing authority in relation to NNDR are apportioned to the relevant precepting bodies in the subsequent financial year.

The National Code of Practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure Account is included in the Council's accounts. The Collection Fund Balance Sheet meanwhile is incorporated into the Council's Consolidated Balance Sheet.

2. INCOME FROM COUNCIL TAX

The Council set a Council Tax in 2013/14 for each band of dwelling as shown below:

Band	£ . p	Band	£ . p	Band	£ . p	Band	£ . p
A	1,000.39	B	1,167.12	C	1,333.86	D	1,500.59
E	1,834.06	F	2,167.52	G	2,500.98	H	3,001.18

The Council Tax was set estimating the number of properties in each band after allowing for discounts and a 3.25% provision for non-collection. The tax in each band is set in relation to Band D, the maximum being Band H which is twice Band D, the minimum being Band A which is 2/3 of Band D.

The 3.25% provision for non-collection is a significant increase from the 1.5% provision made in previous years, and reflects an anticipated substantial increase on late and non-payment due to the introduction of the Localised Council Tax Support scheme and changes to Council Tax exemptions and discounts. 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	58,950	29,880.90	29,069.10	6/9	19,379.40
B	31,354	6,837.99	24,516.01	7/9	19,068.01
C	27,182	4,339.05	22,842.95	8/9	20,304.84
D	13,070	1,619.85	11,450.15	1	11,450.15
E	8,086	779.85	7,306.15	11/9	8,929.74
F	4,230	350.85	3,879.15	13/9	5,603.22
G	3,093	217.35	2,875.65	15/9	4,792.75
H	270	40.50	229.50	18/9	459.00
	146,235	44,066.34	102,168.66		89,987.11
Add Band A Disabled Relief Band D Equivalent					55.70
Total					90,042.81
Estimated Collection Rate					96.75%
Adjusted Council Tax Base					**87,116.4**

The Adjusted Council Tax Base is used to calculate the amount of Council Tax to be raised by a Band D equivalent to raise the value of the precepts to be paid by the Collection Fund. The calculation is as follows:

	2012/13	**2013/14**
Precepts (£'000)		
- Wirral Council	132,911	111,358
- Police & Crime Commissioner for Merseyside	15,975	13,383
- Merseyside Fire & Rescue Service	7,144	5,985
Total Precepts	**156,030**	**130,726**
Council Tax Base	**106,058**	**87,116**
Band D Equivalent (Precepts divided by Council Tax Base)	**£1,471.18**	**£1,500.59**

The reduction in income is due to the abolition of Council Tax Benefit.

3. INCOME FROM NATIONAL NON DOMESTIC RATES (BUSINESS RATES)

The Council collects Non-Domestic rates for its area. This is based on local estimated rateable values (provided by the Valuation Office Agency) multiplied by a standardised business rate set nationally by Central Government.

Prior to 2013/14 the total amount due less certain allowances was paid to the Central Government NNDR pool, and Local Authorities were paid their share of the pool based on a standard amount.

As stated in note 1, from 2013/14 the Business Rate Retention scheme was introduced and as a result 50% of NNDR collected is paid to Central Government, 1% to Merseyside Fire & Rescue Service, with the remaining 49% being retained by Wirral Council.

The estimated rateable value is split between general and small business. For 2013/14, the total rateable value was £181,030,228 (2012/13 £178,135,613). Of this figure

£150,463,476 related to general business rates, which are charged at 47.1p in the £ (2012/13 45.8p). The total value of small business rates was £30,566,752, charged at 46.2p in the £ (2012/13 45p). This gave an opening charge for 2013/14 of £84.99 million (2012/13 £81.35 million).

This correlates to the NNDR income due for the year in the Collection Fund statement as follows:

NNDR Income Due	**2013/14 £'000**
Opening charge	84,990
Adjustments	(5,172)
Small Business Rate Relief	(5,992)
Mandatory Relief	(4,819)
Discretionary Relief	(702)
NNDR Income Due:	**68,305**

The total rateable value of all hereditaments within the Council area at 31 March 2014 was £181,379,353 (2012/13 £181,374,913).

The locally retained business rates are paid into the Council's General Fund. The calculated shares of receipts for 2013/14 are as follows:

	2013/14
	£'000
Wirral Council	30,839
Central Government	31,468
Merseyside Fire & Rescue Service	629
	62,936

The Collection Fund paid the following precepts during the year:

	2013/14
	£'000
Wirral Council	33,135
Central Government	33,812
Merseyside Fire & Rescue Service	676
	67,623

4. PROVISION FOR APPEALS AND BAD AND DOUBTFUL DEBTS

Appeals

A significant amount of appeals against the rateable value set by the Valuation Office Agency are outstanding nationally. Successful appeals will reduce income receivable and can be backdated over a number of years.

Following the introduction of the Business Rates Retention scheme, billing authorities are required to make an estimate of the impact of successful appeals covering not only

2013/14, but also the backdated amounts relating to earlier years. 2013/14 is therefore the first year the Collection Fund account provides for provision against such appeals.

The provision for appeals will be closely monitored in future years to ensure it is sufficient, while not being excessive. £3.192 million has been placed in the provision for 2013/14, which is split between the Collection Fund preceptors based upon their precept shares.

NNDR Appeals Provision	**2012/13**	**2013/14**
	£'000	**£'000**
Balance at 1 April	-	-
Movement in Provision	-	3,192
Balance at 31 March	**-**	**3,192**

A provision for Council Tax bad debts is made each year for uncollectable amounts. The Council assumed a general collection rate of 96.75% for 2013/14. The bad debt provision is assessed annually and amounts set aside adjusted on an age profile of outstanding debt and other factors.

In 2013/14 an additional £3.182 million has been placed in the provision which reflects increased billing arising from the charging for empty properties, potential future liabilities for non-payment as a result of the introduction of the Localised Council Tax Support scheme, and changes to discounts and exemptions.

Bad and doubtful debts
The cost of bad and doubtful debts is split between the Collection Fund preceptors based upon their precept shares.

Council Tax Bad Debt Provision	**2012/13**	**2013/14**
	£'000	**£'000**
Balance at 1 April	8,573	8,803
Write-offs	(699)	(767)
Movement in Provision	929	3,182
Balance at 31 March	**8,803**	**11,218**

The Collection Fund account also provides for bad debts on NNDR arrears which is assessed annually and amounts set aside adjusted on an age profile of outstanding debt. In 2013/14 an additional £1.574 million has been placed in the provision to reflect potential future liabilities for non-payment. The cost of bad and doubtful debts is split between the Collection Fund preceptors based upon their precept shares.

The figures for 2012/13 are included for comparative purposes as the balance on the provision for 2012/13 was retained by Central Government.

NNDR Bad Debt Provision	**2012/13**	**2013/14**
	£'000	**£'000**
Balance at 1 April	3,424	3,030
Write-offs	(2,103)	(1,011)
Movement in Provision	1,709	1,574
Balance at 31 March	**3,030**	**3,593**

5. CONTRIBUTION FROM/TO THE COLLECTION FUND

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

As at 31 March 2014 there was a surplus of £2.884 million which has been allocated amongst the precepting authorities on the basis of the 2014/15 precept proportions.

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

The billing authority is also required to notify the Secretary of State and their precepting authorities of their non-domestic rating income for the following financial year and estimate of the surplus or deficit by 31 January, which is done by completing and returning the NNDR1 form.

As at 31 March 2014 there was a deficit of £4.687 million, which has been allocated amongst the precept authorities based on the relevant percentages set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

6. ALLOCATION OF YEAR END BALANCES

The year end balance on the Collection Fund is in respect of Council Tax and NNDR and is shared in proportion to the precepts on the Collection Fund. The Council Tax surplus is allocated on two bases - the balance that was reported in January 2014 (for 2013/14 the estimated position was a nil balance) is apportioned using the 2013/14 precept votes, whereas the additional surplus resulting from the final position as at 31 March 2014, is apportioned using the 2014/15 precept votes. The NNDR deficit is allocated based on the relevant percentages set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

Payable to / (Received from):	**Estimate 15 Jan 14**	**Council Tax 31 Mar 14**	**NNDR Deficit 31 Mar 14**	**Total Allocation**
	£'000	**£'000**	**£'000**	**£'000**
Wirral Council	-	(2,449)	2,296	(153)
Central Government	-	-	2,344	2,344
Police & Crime Commissioner	-	(300)	-	(300)
Merseyside Fire and Rescue Service	-	(135)	47	(88)
	-	**(2,884)**	**4,687**	**1,803**

The share of any Collection Fund surplus or deficit is reflected within the precepting organisation's 2013/14 accounts. Wirral Council's element is included within the Taxation and Non-Specific Grant Income line within the Comprehensive Income and Expenditure Statement.

MERSEYSIDE PENSION FUND ACCOUNTS

FINANCIAL STATEMENTS

FUND ACCOUNT For the year ended 31 March 2014	Note	2012/13	2013/14
		£'000	£'000
Contributions and Benefits:			
Contributions receivable	7	231,160	246,221
Transfers in	8	9,495	10,929
Administration Income		243	255
		240,898	**257,405**
Benefits payable	9	259,065	275,764
Payments to and on account of leavers	10	11,848	15,742
Administration expenses	11	4,244	4,313
		275,157	**295,819**
Net additions/(withdrawals) from dealing with members		**(34,259)**	**(38,414)**
Return on Investments:			
Investment Income	12	89,185	110,048
Profit and losses on disposal of investments and change in market value of investments	14	578,835	247,638
Taxes on income	12	(3,068)	(1,241)
Investment management expenses	13	(12,175)	(12,638)
Net return on Investments		**652,777**	**343,807**
Net increase/(decrease) in the Fund during the year		618,518	305,393
Net Assets of the Fund start of the year		5,200,383	5,818,901
Net Assets of the Fund end of the year		**5,818,901**	**6,124,294**

NET ASSETS STATEMENT For the year ended 31 March 2014	Note	2012/13 £'000	2013/14 £'000
Investment Assets	14		
Equities		1,759,476	1,838,855
Pooled Investment Vehicles		3,614,051	3,822,027
Derivative Contracts		1,823	4,131
Direct Property		283,615	310,650
Short Term Cash Deposits		62,329	31,780
Other Investment Balances		50,734	52,889
		5,772,028	**6,060,332**
Investment Liabilities	17	**(7,156)**	**(8,666)**
		5,764,872	**6,051,666**
Long term assets	18	12,743	12,638
Current Assets	19	55,170	72,405
Current Liabilities	19	(13,884)	(12,415)
Net Assets of the Fund as at 31 March		**5,818,901**	**6,124,294**

NOTES TO THE ACCOUNTS

1. GENERAL

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

The following description of the Fund is a summary only. For more detail reference should be made to the Merseyside Pension Fund Annual Report 2013/14 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

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

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

Organisations participating in the Merseyside Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;
- Admitted bodies, which are organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation.

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

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the Retail Price Index (RPI) to the Consumer Price Index (CPI). The change took effect from 1 April 2011.

The introduction of the LGPS 2014 has resulted in the most significant change in the structure of the scheme in its history, as it has moved from being a final salary scheme to a career average revalued earnings scheme.

The scheme is still a defined benefit scheme but from 1 April 2014, pension accounts will build up each scheme year based on pay, including non-contractual overtime, rather than final salary at leaving. The accrual rate has increased from 1/60th to 1/49th with the vesting period extended from 3 months to 2 years.

Average member contributions to the scheme remain at 6.5% but the contribution rate is based on actual pay as opposed to full-time equivalent pay as previously determined. Whilst there is no change to average member contributions, the lowest paid will pay the same or less and the highest paid will pay higher contributions on a more progressive scale after tax relief.

There is more flexibility when accessing pension benefits with the option to take benefits at any age from 55 to 75. In the new scheme Normal Pension Age (NPA) is linked to an individual member's State Pension Age.

There is also more flexibility with the 50/50 option which affords members the opportunity to pay half the contribution rate (depending on the salary band applicable to the employee) for a limited period and build up half of the normal pension during the time in that option of the scheme.

Whilst many elements of the scheme have changed, some provisions remain the same and members who are automatically moved across to the new scheme retain the final salary link for pre-2014 membership. The 85 year rule protections and normal pension age as defined under the former regulations for protected membership are retained.

The changes to the scheme will not affect those people already in receipt of a pension or hold pre-2014 deferred pension entitlements.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2013/14 financial year and its position at year-end as at 31 March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pensions benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, are shown within the statement by the actuary, which is published as an addendum to the accounts.

3. ACCOUNTING POLICIES

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

Contributions and benefits

Contributions are accounted for on an accruals basis. Benefits payable represent the benefits paid during the financial year and include an estimated accrual for lump-sum benefits outstanding as at the year end. Augmentation and pension strain payments due from employers in future years are accrued for (see note 7 and 18). For 2013/14 benefits payable includes interest on late payment (£143,686), previously shown as administration expenses.

Estimates for post year end outstanding items have been used for payments of retirement grants and death benefits:

- Retirement grants due for payment, but not yet paid by 31 March: using actual figures as far as possible, and assuming maximum commutation to be taken where the knowledge of the individual member's choice is still outstanding.
- Death grants due for payment, but not paid by 31 March: for example awaiting Probate.

Transfers to and from other schemes
Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

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

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

Fees of the external investment managers and Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market values of the investments under their management and therefore increase or reduce as the value of these investments change.

Estimates for post year end outstanding items have been used for external Investment Management fees using the Fund's valuations as at 31 March 2014.

For certain unquoted investments including private equity, hedge funds, opportunities and infrastructure the Fund do not charge costs for these to the Fund account because the fund manager costs are not charged directly to the Fund. They are instead deducted from the value of the Fund's holding in that investment or from investment income paid to the Fund.

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

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

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

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Taxation

The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Rental income

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

Valuation of investments

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

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

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

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

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

Indirect Property is valued at net asset value or capital fair value basis provided by the Fund Manager. For listed Funds the net asset value per unit is obtained through data vendors.

Direct property is valued at fair value as defined by the IASB and market rent as set out in VS 3.3 of the Professional Standards, as at the reporting date. Direct properties have been valued independently by Colliers International in accordance with Royal Institute of Chartered Surveyors Valuation Professional Standards as at 31 March 2014.

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested by the manager of the vehicle in the underlying investment, net of applicable withholding tax.

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

Derivatives
The Fund uses derivative financial assets to manage exposure to specific risks arising from its investment activities.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of future contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The value of exchange traded options is determined using the exchange price for closing out the option at the reporting date.

The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

Financial liabilities
The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund has not applied any critical judgements.

5. ESTIMATION

Unquoted investments
The Fund has significant unquoted investments within private equity, infrastructure, property and other alternative investments. These are valued within the financial statements using valuations from the managers of the respective assets. There are clear accounting standards for these valuations and the Fund has in place procedures for ensuring that valuations applied by managers comply with these standards and any other best practice. The value of unquoted assets as at 31 March 2014 was £1.261 million (£1.123 million at 31 March 2013).

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

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

6. EVENTS AFTER BALANCE SHEET DATE

There have been no events since 31 March 2014, and up to the date when these accounts were authorised, that require any adjustments to these accounts. However disclosure is required for non-adjusting events:

During 2014/15 there are two bulk transfers of assets and liabilities;

On the 1 April 2014 MPF becomes the appropriate LGPS Fund for all scheme members who have accrued LGPS benefits as a result of employment with the Local Government Association for which a transfer of assets will be received during 2014/15, estimated at £35 million.

As part of the transforming rehabilitation programme, MPF will transfer the Probation Trust liabilities on 1 June 2014 to Greater Manchester Pension Fund and transfer assets estimated at £108 million during 2014/15.

7. CONTRIBUTIONS RECEIVABLE

	2012/13 £'000	**2013/14 £'000**
Employers		
Normal	96,738	96,049
Augmentation	311	22
Pension Strain	10,369	15,772
Deficit Funding	70,703	82,232
Employees		
Normal	53,039	52,146
	231,160	**246,221**
Relating to:		
Administering Authority	32,574	35,925
Statutory Bodies	166,715	169,607
Admission Bodies	31,871	40,689
	231,160	**246,221**

Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2014. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The contributions above were calculated at the valuation dated 31 March 2010. The 2010 actuarial valuation calculated the average employer contribution of 18%. The last valuation was at 31 March 2013 and calculated the average employer contribution of 22.5%.

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

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

"Deficit Funding" includes payments by employers for past service deficit and additional payments by employers to reduce a deficit.

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2013/14 no such charges were levied.

8. TRANSFERS IN

	2012/13 £'000	2013/14 £'000
Group Transfers	-	-
Individual Transfers	9,495	10,929
	9,495	**10,929**

9. BENEFITS PAYABLE

	2012/13 £'000	2013/14 £'000
Pensions	214,886	224,767
Lump sum retiring allowances	39,552	45,745
Lump sum death benefits	4,627	5,252
	259,065	**275,764**
Relating to:		
Administering Authority	35,083	41,291
Statutory Bodies	187,856	197,079
Admission Bodies	36,126	37,394
	259,065	**275,764**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2012/13 £'000	2013/14 £'000
Refunds to members leaving service	6	18
Payment for members joining State scheme	2	4
Income for members from State scheme	(4)	(7)
Group transfers to other schemes	-	-
Individual transfers to other schemes	11,844	15,727
	11,848	**15,742**

11. ADMINISTRATION EXPENSES

	2012/13 £'000	2013/14 £'000
Administration and processing	3,907	3,775
Actuarial fees	255	475
External Audit fees	38	31
Internal audit fees	44	32
	4,244	**4,313**

Actuarial fees above are shown gross of any fees that have been recharged to employers, included within administration income for 2013/14 is £163,061 relating to recharged actuarial fees (2012/13 £149,443).

External audit fees have been reduced in 2013/14 due to a rebate received of £5,047 from Audit Commission relating to previous years. External Audit fees also include £2,180 relating to additional services in respect of IAS19 assurances for admitted body auditors.

12. INVESTMENT INCOME

	2012/13 £'000	2013/14 £'000
Dividends from equities	56,083	57,219
Income from pooled investment vehicles	15,931	26,254
Net rents from properties	14,071	21,646
Interest on short term cash deposits	539	927
Income from private equity	1,528	2,824
Income from derivatives	188	67
Other	845	1,111
	89,185	**110,048**
Irrecoverable withholding tax	(3,068)	(1,241)
	86,117	**108,807**
Rents from properties		
Rental income	18,541	26,865
Direct operating expenses	(4,470)	(5,219)
Net rent from properties	**14,071**	**21,646**

Rental income for 2013/14 includes £3.2 million relating to 2012/13.

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £2.5 million (2012/13 £1.1 million).

Included within interest on short term deposits is £361,300 relating to a repayment from Heritable Bank, with impairments to the principal in previous years accounts it is shown as interest.

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, but is not accruing for future receipt of such income within these accounts. Repayments received in 2013/14 £343,155 (2012/13 £120,932).

12a Operating Leases

The Fund's property portfolio comprises a variety of units which are leased to organisations with the objective of generating appropriate investment returns.

These leases are all categorised as operating leases due to the relatively short length of the agreements i.e. relative to the overall life of the asset and proportion of the assets overall value. The leases do not meet the assessment criteria for finance leases, and the risks and rewards of ownership of the leased assets are retained by the Fund and reflected in the Net Asset Statement.

The properties comprise a mix of office, retail and industrial buildings. These leases vary in length from short term to over 25 years.

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

Age profile of lease income	**2012/13 £'000**	**2013/14 £'000**
No later than one year	520	519
Between one and five years	2,119	1,705
Later than five years	15,382	15,935
Total	**18,021**	**18,159**

With regards to the properties owned and leased by the Fund, all are leased to the tenants under contracts that have been assessed as operating leases and which may include periodic rent reviews etc. The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease entered into, such as adjustments following rent reviews.

13. INVESTMENT MANAGEMENT EXPENSES

	2012/13 £'000	**2013/14 £'000**
External management fees	11,125	11,301
External services	678	801
Internal management costs	372	536
	12,175	**12,638**

14. INVESTMENTS

2013/14	Market Value 31.3.2013 £'000	Purchases at cost & Derivative Payments £'000	Sale Proceeds & Derivative Receipts £'000	Change in Market Value * £'000	Market Value 31.3.2014 £'000
Equities	1,759,476	758,691	(774,123)	94,811	1,838,855
Pooled Investment Vehicles	3,614,051	414,008	(314,912)	108,880	3,822,027
Derivative Contracts	1,823	902,610	(918,034)	17,732	4,131
Direct Property	283,615	25,109	(26,276)	28,202	310,650
	5,658,965	2,100,418	(2,033,345)	249,625	5,975,663
Short term cash deposits	62,329	-	-	5	31,780
Other investment balances	50,734	-	-	(1,992)	52,889
	5,772,028			**247,638**	**6,060,332**

2012/13	Market Value 31.3.2012 £'000	Purchases at cost & Derivative Payments £'000	Sale Proceeds & Derivative Receipts £'000	Change in Market Value * £'000	Market Value 31.3.2013 £'000
Equities	1,514,762	662,469	(657,885)	240,130	1,759,476
Pooled Investment Vehicles	3,216,404	1,595,636	(1,552,783)	354,794	3,614,051
Derivative Contracts	6,669	181,075	(175,836)	(10,085)	1,823
Direct Property	290,965	19,540	(14,132)	(12,758)	283,615
	5,028,800	2,458,720	(2,400,636)	572,081	5,658,965
Short term cash deposits	56,271	-	-	71	62,329
Other investment balances	75,895	-	-	6,683	50,734
	5,160,966			**578,835**	**5,772,028**

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

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 £3.1 million (2012/13 £1.5 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.

14a Analysis of investments

	2012/13 £'000	2013/14 £'000
Equities (segregated holdings)		
UK Quoted	756,993	823,202
Overseas Quoted	1,002,483	1,015,653
	1,759,476	**1,838,855**
Pooled Investment Vehicles		
UK Managed Funds:		
Property	25,250	3,000
Equities	206,701	267,606
Private Equity	169,256	189,094
Hedge Funds	58,662	60,085
Corporate Bonds	205,616	208,191
Infrastructure	49,300	51,735
Opportunities	142,318	199,613
Overseas Managed Funds:		
Equities	362,834	328,730
Private Equity	132,413	138,381
Hedge Funds	193,496	210,046
Infastructure	39,538	74,750
Opportunities	48,362	76,538
UK Unit Trusts:		
Property	84,237	83,032
Overseas Unit Trusts:		
Property	59,996	71,271
Unitised Insurance Policies	1,836,072	1,859,955
	3,614,051	**3,822,027**
UK properties		
Freehold	228,715	276,150
Leasehold	54,900	34,500
	283,615	**310,650**
Balance at the start of the year	290,965	283,615
Additions	19,540	25,109
Disposals	(14,132)	(26,276)
Net gain/loss on fair value	(3,363)	(12,850)
Transfers in/out	-	-
Other changes in fair value	(9,395)	41,052
Balance at the end of the year	**283,615**	**310,650**

As at 31 March 2014 there were no amounts of restrictions on the realisability of investment property or of income and proceeds of disposal.

Contractual obligations for development, repairs and maintenance amounted to £201,888 (2012/13 £509,523). There were no obligations to purchase new properties.

	2012/13 £'000	2013/14 £'000
Short term cash deposits		
Sterling	61,304	30,750
Foreign currency	1,025	1,030
	62,329	**31,780**

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

The foreign currency deposit is an ISK deposit held in an escrow account following the distribution by the Glitnir Winding Up Board. Under the applicable currency controls operating in Iceland, the permission of the Central Bank of Iceland is required to release Icelandic Krona payments held within the Icelandic banking system. The deposit is earning market interest rates.

	2012/13 £'000	2013/14 £'000
Other investment balances		
Amounts due from brokers	-	83
Outstanding trades	3,257	7,397
Outstanding dividends entiltlements and recoverable withholding tax	12,649	11,768
Cash deposits	34,828	33,641
	50,734	**52,889**

14b Impairment on Icelandic deposits

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

During 2013 the administrators for Heritable Bank paid the fourteenth dividend, bringing the total repayment to 94%. It is assumed no further dividends are to be paid.

In December 2011, the courts determined that local authority deposits with Glitnir Bank qualified for priority status. In March 2012, 81 pence in the £ was recovered and the remaining 19% is held in Icelandic Krona in an escrow account.

The total amount of accrued interest is £nil (2012/13 £192,319).

14c Analysis of derivatives

Derivatives as at 31 March 2014		**£'000**	**£'000**
Futures			
Type of Contract	**Expires**	**Economic Exposure**	**Market Value**
Assets			
EURO STOXX 50 Index Futures	Jun-14	830	83
Total Assets			**83**
Liabilities			-
Total Liabilities			**-**
Net futures			**83**
Derivatives as at 31 March 2013		**£'000**	**£'000**
Futures			
Type of Contract	**Expires**	**Economic Exposure**	**Market Value**
Assets			
EURO STOXX 50 Index Futures	Jun-13	(480)	(48)
Swiss Market Index Futures	Jun-13	(1)	-
Total Assets			-
Liabilities			(48)
Total Liabilities			**(48)**
Net futures			**(48)**

A futures contract is the obligation under a legal agreement to make or take delivery of a specified instrument at a fixed future date, at a price determined at the time of dealing. Merseyside Pension Fund's index futures contracts are externally managed and their objective is to hedge overseas investment positions against adverse index movements. Futures dealing requires the posting of margin. Initial margin which must be posted before you can trade and variation margin, the mark-to-market value of the futures contracts you hold. Variation margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral is held in EUR and GBP currency and the Sterling equivalent is £249,852. DJ Euro STOXX 50 have a contract multiplier of x10 therefore the notional value underlying the futures contracts is £0.83 million.

Forward currency contracts

The Fund's forward currency contracts are exchange traded and are used by a number of our external investment managers to hedge exposures to foreign currency back into sterling.

Settlement date	Currency bought '000	Currency sold '000	Asset £'000	Liability £'000
Up to one month	GBP 127,994	EUR 153,024	1,482	-
Up to three months	GBP 5,717	EUR 6,856	47	-
Up to three months	GBP 1,929	CHF 2,816	15	-
Up to three months	GBP 131,766	JPY 22,185,000	2,504	-
			4,048	-
Net forward currency contracts at 31 March 2014				**4,048**
Prior year comparative				
Open forward currency contracts at 31 March 2013			1,824	(1)
Net forward currency contracts at 31 March 2013				**1,823**

14d Summary of Managers' Portfolio Values at 31 March 2014

	2012/13		2013/14	
Externally Managed	**£million**	**%**	**£million**	**%**
JP Morgan (European equities)	172	3.0	191	3.1
Nomura (Japan)	272	4.7	239	4.0
Schroders (fixed income)	206	3.6	208	3.4
Legal & General (fixed income)	241	4.2	239	3.9
Unigestion (European equities and pooled Emerging Markets)	224	3.9	233	3.8
M&G (UK equities)	181	3.1	179	2.9
M&G (global emerging markets)	145	2.5	130	2.1
TT International (UK equities)	181	3.1	186	3.1
Blackrock (UK equities)	193	3.3	190	3.1
Blackrock (Pacific Rim)	129	2.2	121	2.0
Blackrock (QIF)	-	-	60	1.0
Newton (UK equities)	168	2.9	191	3.1
Amundi (global emerging markets)	132	2.3	117	1.9
Maple-Brown Abbot (Pacific Rim equities)	132	2.3	124	2.0
State Street Global Advisor (Passive Manager)	1,595	27.7	1,620	26.9
	3,971	**68.8**	**4,028**	**66.3**
Internally Managed				
UK equities	272	4.7	318	5.3
European equities	148	2.6	176	2.9
Property (direct)	284	4.9	311	5.1
Property (indirect)	172	3.0	161	2.7
Private equity	302	5.2	327	5.5
Hedge funds	252	4.4	270	4.5
Infrastructure	89	1.5	126	2.1
Opportunities	198	3.4	292	4.8
Short term deposits & other investments	84	1.5	51	0.8
	1,801	**31.2**	**2,032**	**33.7**
	5,772	**100.0**	**6,060**	**100.0**

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

	2012/13		2013/14	
	'£'000	**%**	**'£'000**	**%**
SSGA Pooled UK Index Linked Gilts	635,975	11.1	581,169	9.7
SSGA USA Equity Tracker	478,693	8.3	527,598	8.8
SSGA Pooled UK Equities	480,059	8.3	511,270	8.4

14e Stock Lending

At 31 March 2014, £160.2 million of stock was on loan to market makers, which was covered by cash and non-cash collateral totalling £173.3 million, giving a margin of 8.2%. Collateral is marked to market, and adjusted daily. Income from stock lending amounted to £717,718 and is included within "Other" Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

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

15. FINANCIAL INSTRUMENTS

15a Classification of financial instruments

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

Values at 31 March 2014	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss
	£'000	£'000	£'000
Financial Assets			
Equities	-	-	1,838,855
Pooled Investment Vehicles	-	-	3,822,027
Derivatives	-	-	4,131
Cash deposits	31,780	-	-
Other investment balances	52,889	-	-
Long Term & Current Assets	85,043	-	-
Total financial assets	**169,712**	**-**	**5,665,013**
Financial Liabilities			
Other investment balances	-	(8,666)	-
Current Liabilities		(12,415)	-
Total financial liabilities	**-**	**(21,081)**	**-**
Net	**169,712**	**(21,081)**	**5,665,013**

Values at 31 March 2013	**Loans and receivables**	**Financial liabilities at amortised cost**	**Fair value through profit and loss**
	Restated		**Restated**
	£'000	**£'000**	**£'000**
Financial Assets			
Equities	-	-	1,759,476
Pooled Investment Vehicles	-	-	3,614,051
Derivatives	-	-	1,823
Cash deposits	62,329	-	-
Other investment balances	50,734	-	-
Long Term & Current Assets	67,913	-	-
Total financial assets	**180,976**	**-**	**5,375,350**
Financial Liabilities			
Other investment balances	-	(7,156)	-
Current Liabilities	-	(13,884)	-
Total financial liabilities	**-**	**(21,040)**	**-**
Net	**180,976**	**(21,040)**	**5,375,350**

Following a management review other investment balances are shown under financial liabilities at amortised cost rather than fair value through profit and loss and values as at 31 March 2013 have been restated. To allow reconciliation to the net asset statement and for ease to the reader all long term and current assets and liabilities have been included in the above note, although not all are classified as financial instruments, the amounts that are not financial instruments are considered immaterial.

15b Net gains and losses on financial instruments

	2012/13 £'000	**2013/14 £'000**
Financial Assets	**Restated**	
Fair Value through profit and loss	584,839	221,423
Loans and receivables	6,754	5
Total financial assets	**591,593**	**221,428**
Financial Liabilities		
Financial liabilities at amortised cost	-	- 1,992
Loans and recievables	-	-
Total financial liabilities	**-**	**- 1,992**
Net	**591,593**	**219,436**

15c Fair value of financial instruments

There is no material difference between the carrying value and fair value of financial instruments. The majority of financial instruments are held at fair value and for those which are not, their amortised cost is considered to be equivalent to an approximation of fair value.

15d Valuation of financial instruments carried at fair value

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

Level 1

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

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

Level 2

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

Level 3

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

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Merseyside Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets of the pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2014	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets				
Financial assets at fair value through profit and loss	4,714,290	47,900	902,823	5,665,013
Total financial assets	**4,714,290**	**47,900**	**902,823**	**5,665,013**

Values at 31 March 2013	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
	Re-stated			**Re-stated**
Financial assets				
Financial assets at fair value through profit and loss	4,535,966	47,358	792,026	5,375,350
Total financial assets	**4,535,966**	**47,358**	**792,026**	**5,375,350**

Following a management review of levels 1, 2 and 3 the values at 31 March 2013 have been restated to only show financial assets held at fair value through profit and loss.

A reconciliation of fair value measurements in Level 3 is set out below:

	2012/13 £'000	**2013/14 £'000**
Opening balance	699,061	792,026
Acquisitions	127,275	182,783
Disposal proceeds	(85,709)	(102,043)
Total gain/(losses) included in the fund account:		
On assets sold	669	(3,112)
On assets held at year end	50,730	33,169
Closing balance	**792,026**	**902,823**

16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

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

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

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

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

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

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

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

16a Market Risk

The Fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The general practice to quantify these risks is to measure the volatility of historical performance. The tables below show the Fund's exposure to asset classes and their reasonable predicted variance (as provided by the Fund's investment consultants) and the resulting potential changes in net assets available to pay pensions. The figures provided are a forward looking assumption of future volatility based on analysis of previous performance and probability.

2013/14	**Value March 2014**	**Potential Variance**	**Value on increase**	**Value on decrease**
	£million		**£million**	**£million**
UK Equities (all equities include pooled vehicles)	1,603	20.0%	1,924	1,282
US Equities	530	19.0%	631	429
European Equities	552	20.0%	662	442
Japan Equities	236	20.0%	283	189
Emerging Markets Equities inc Pac Rim	554	28.5%	712	396
UK Fixed Income Pooled Vehicles	448	11.0%	497	399
UK Index Linked Pooled Vehicles	581	9.0%	633	529
Pooled Property	157	14.5%	180	134
Private Equity	327	26.0%	412	242
Hedge Funds	270	8.0%	292	248
Infrastructure	126	20.0%	151	101
Other Alternative Assets	276	20.0%	331	221
Short term deposits & other investment balances	153	0.0%	153	153
	5,813			

2012/13	**Value March 2013**	**Potential Variance**	**Value on increase**	**Value on decrease**
	£million		**£million**	**£million**
UK Equities (all equities include pooled vehicles)	1,444	22.4%	1,767	1,121
US Equities	479	24.2%	595	363
European Equities	499	25.7%	627	371
Japan Equities	267	22.5%	327	207
Emerging Markets Equities inc Pac Rim	599	31.8%	789	409
UK Fixed Income Pooled Vehicles	447	7.0%	478	416
UK Index Linked Pooled Vehicles	636	9.9%	699	573
Pooled Property	169	14.3%	193	145
Private Equity	302	31.6%	397	207
Hedge Funds	252	14.5%	289	215
Infrastructure	89	22.0%	109	69
Other Alternative Assets	191	22.4%	234	148
Short term deposits & other investment balances	161	1.1%	163	159
	5,535			

16b Credit Risk

The Fund does not hold any fixed interest securities directly and the managers of the pooled fixed income vehicles are responsible for managing credit risk, section 15a of this note covers the market risks of these holdings.

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

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

The Fund's cash holding under its treasury management arrangements as at 31 March 2014 was £31.8 million (31 March 2013 £62.3 million). This was held in instant access accounts with the following institutions:

	Rating (S&P)	Balances as at 31 March 2013 £'000	Balances as at 31 March 2014 £'000
Royal Bank of Scotland	Long A- Short A-2	19,472	183
Lloyds	Long A Short A-1	41,763	29,222
Northern Trust	Long AA Short A-1+	-	1,345
Heritable (Iceland)		69	-
Iceland escrow account		1,025	1,030
Total		**62,329**	**31,780**

16c Liquidity risk

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

The Fund has a cash balance at 31 March of £31.8 million. The Fund also has £4,643 million in assets which could be realised in under 7 days notice, £564 million in assets which could be realised in under 90 days notice and £458 million in assets which could not be realised within a 90 day period.

The Fund has no borrowing or borrowing facilities.

The management of the Fund also prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. Whilst the Fund has a net withdrawal for 2013/14 in its dealing with members of £38 million, this is offset by investment income of £110 million.

16d Interest Rate Risk

Interest rates primarily affect the Fund's liabilities through the transmission mechanism from interest rates to government bond yields and ultimately the discount rate used by the actuary to discount the liabilities; the Fund's actuary has calculated that the Fund has sensitivity to this discount rate of 20%. The Fund considers both the liabilities and assets together and assesses the funding ratio and the implications for investment strategy on a quarterly basis at the IMWP.

17. INVESTMENT LIABILITIES

	2012/13 £'000	2013/14 £'000
Derivative contracts	48	-
Amounts due to stockbrokers	7,108	8,666
	7,156	**8,666**

18. LONG TERM ASSETS

	2012/13 £'000	2013/14 £'000
Assets due in more than one year	12,743	12,638
	12,743	**12,638**
Relating to:		
Central Government Bodies	4,834	4,105
Other Local Authorities	6,928	6,949
NHS	-	-
Public Corporations and Trading Funds	173	493
Bodies External to General Government	808	1,091
	12,743	**12,638**

Payments are being received in respect of pensioner and deferred members of the Magistrates Courts, which was previously an active employer in the Fund. Year 1 is shown as a current asset, but years 2 - 5 have been discounted at a rate of 4% and are included above. Also discounted are future payments of pension strain to be paid by employers in 2015/16 onwards.

19. CURRENT ASSETS AND LIABILITIES

	2012/13 £'000	2013/14 £'000
Assets		
Contributions due	23,656	24,460
Amounts due from external managers	10,138	35,270
Accrued and outstanding investment income	1,184	82
Sundries	14,244	12,646
Provision for bad debts	(1,265)	(1,022)
Cash at bank	7,213	969
	55,170	**72,405**
Relating to:		
Central Government Bodies	1,327	1,990
Other Local Authorities	19,000	18,497
NHS	2	2
Public Corporations and Trading Funds	606	207
Bodies External to General Government	34,235	51,709
	55,170	**72,405**
Liabilities		
Amounts due to external managers	1,491	-
Retirement grants due	2,044	2,612
Provisions	379	385
Miscellaneous	9,970	9,418
	13,884	**12,415**
Relating to:		
Central Government Bodies	2,106	2,532
Other Local Authorities	2,075	2,015
NHS	-	-
Public Corporations and Trading Funds	4	26
Bodies External to General Government	9,699	7,842
	13,884	**12,415**
Total current assets and liabilities	**41,286**	**59,990**

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

"Provision for bad debt" relates to property rental income, and is based on an assessment of all individual property debts as at 31 March 2014.

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

20. CONTRACTUAL COMMITMENTS

Commitments for investments amounted to £457.80 million as at 31st March 2014. (2012/13 £288.40 million). These commitments relate to Private Equity £223.79 million, Infrastructure £94.08 million, Opportunities £59.49 million, Indirect Property £80.44 million. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

21. CONTINGENT ASSETS

When determining the appropriate Fund policy for employers the different participating characteristics as either a contractor or community body or whether a guarantor of sufficient financial standing agrees to support the pension obligations is taken into consideration when setting the fiduciary strategy.

It is the policy to actively seek mechanisms to strengthen employer covenants by engaging "contingent assets" in the form of bonds/indemnity insurance, local authority guarantors, parent company guarantors or charge on assets to mitigate the risk of employers exiting the Fund leaving unrecoverable debt.

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

22. RELATED PARTY TRANSACTIONS

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

Administration and investment management costs include charges by Wirral Council in providing services in its role as administering authority to the Fund, which amount to £3.5 million. (2013 £3.5 million). Such charges principally relate to staffing required to maintain the pension service. Central, Finance and IT costs are apportioned to the Fund on the basis of time spent on Fund work by Wirral Council. There was a debtor of £14.4 million and a creditor of £118,149 as at 31 March 2014.

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 7 and in respect of March 2014 payroll are included within the debtors figure in note 19.

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

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

During 2013/14 Liverpool City Council, an employer within the Fund purchased a property owned by MPF under normal market conditions for a value of £9.9 million.

A previous employee of MPF Patrick Dowdall, Investment Manager - Alternatives, during his employment acted in an un-remunerated advisory capacity on 8 investment bodies in which the Fund has an interest, Standard Life (£2.0 million), F&C (£9.2 million) and Palatine previously called Zeus (£4.0 million), by whom travel expenses and accommodation were paid, plus Key Capital (£7.1 million) Enterprise (£4.3 million), Capital Dynamics (£113.7 million), A&M Capital Partners (£1.5 million) and Blackrock Renewable Energy (£5.6 million).

Peter Wallach, Head of Pension Fund acts in an un-remunerated board advisory capacity on 3 investment bodies in which the Fund has an interest, Eclipse (£17.2 million), Standard Life (£2.0 million) and F&C (£9.2 million) by whom travel expenses and accommodation were paid.

Susannah Friar, Property Manager acts in an un-remunerated board advisory capacity on one investment body in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£2.8 million), by whom travel expenses and accommodation were paid.

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

Key management personnel

The remuneration paid to the Fund’s senior employees is as follows:

Financial Year 2013/14	Employment Period	Salary £	Allowances £	Pension Contributions £	Total including Pension Contributions £
Head of Pension Fund	01/04/13 - 31/03/14	73,352	-	8,802	82,154
Senior Investment Manager	01/04/13 - 31/03/14	55,739	-	6,688	62,427

Financial Year 2012/13	Employment Period	Salary £	Allowances £	Pension Contributions £	Total including Pension Contributions £
Head of Pension Fund	01/04/12 - 31/03/13	73,352	-	8,802	82,154
Acting Senior Investment Manager	01/04/12 - 31/03/13	52,361	-	6,283	58,644

23. ADDITIONAL VOLUNTARY CONTRIBUTION INVESTMENTS

The Committee holds assets invested separately from the main Fund. In accordance with regulation 4 (2) (b) of the Pensions Schemes (Management and Investment of Funds) Regulations 2009, these assets are excluded from the Pension Fund accounts.

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

	2012/13 £'000	2013/14 £'000
The aggregate amount of AVC investments is as follows :		
Equitable Life	2,543	2,380
Standard Life	6,105	6,030
Prudential	5,088	5,231
	13,736	**13,641**
Changes during the year were as follows:		
Contributions	2,051	1,835
Repayments	1,854	2,574
Change in market values	783	644

24. 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 2014, there were 45,583 active members (March 2013 44,707), 45,819 pensioners and dependents (March 2013 44,753), and 35,786 deferred beneficiaries (March 2013 34,481).

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2013/14 included 11 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 two external advisers and a consultant. In 2010/11 a Governance and Risk Working Party was established.

The Pensions Committee 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 November 2013, and is available on the Fund's website: mpfmembers.org.uk.

Under the LGPS Regulations, employer contributions are calculated by the Fund's actuary, having regards to the assumptions and methodology set out in the Fund's Funding Strategy Statement (FSS). The most recent Triennial Valuation by the actuary was as at 31 March 2013, when the funding level was 76% of projected actuarial liabilities (2010 78%). 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 22 years.

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

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

	31 March 2010	**31 March 2013**
Long-dated gilt yield	4.50%	3.20%
Long-dated index-linked gilt yield	0.07%	-0.40%
Market expectation for inflation (long term)	3.80%	3.60%

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

	2013 Funding Target
Investment Return pre-retirement	4.60%
Investment Return post-retirement	4.60%
Salary increases	4.10%
Pension increases in payment	2.60%
Non-retired members mortality	*SAPS tables + cmi 2012 (1.5%)*
Retired members mortality	*CMI SAPS tables with scheme and member category specific adjustments*

The next Triennial Valuation is on 31 March 2016.

SCHEME EMPLOYERS WITH ACTIVE MEMBERS AS AT 31 MARCH 2014

SCHEDULED BODIES

Academy of St Francis
Arena & Convention Centre Liverpool
Bellerive FCJ Catholic College
Belvedere Academy
Billinge Chapel End Parish Council
Birkdale High School (Academy)
Birkenhead High School Academy
Birkenhead Sixth Form College
Blue Coat School (Academy)
Carmel College
Calday Grange Grammer School (Academy)
Chesterfield High School (Academy)
Childwall Sports and Science Academy
De la Salle Academy
Deyes High School (Academy)
Enterprise South Liverpool Academy
Everton Free School (Academy)
Formby High School (Academy)
Greenbank High School (Academy)
Halewood Centre for Learning (Academy)
Halewood Parish Council
Harmonize (Academy)
Hawthornes Free School
Hilbre High School (Academy)
Hope Academy
Hugh Baird College
King George V College
Kirkby High School
Knowsley Community College
Knowsley M.B.C.
Knowsley Parish Council
Liverpool City Council
Liverpool Community College
Liverpool John Moores University
Liverpool Life Science UTC (Academy)
Lord Derby Academy
Maghull High School (Academy)
Merseyside Fire & Rescue Authority
Merseyside Integrated Transport Authority (MITA)
Merseyside Passenger Transport Executive (MPTE)
Merseyside Valuation Tribunal
Merseyside Recycling and Waste Authority
National Probation Service
North Liverpool Academy
Office of the Police and Crime Commissioner for Merseyside (OPCCM)
Oldershaw Academy
Our Lady of Pity RC Primary School (Academy)
Prenton High School for Girls (Academy)
Prescot Town Council
Rainford Parish Council

Rainhill Parish Council
Range High School (Academy)
Sefton M.B.C.
Southport College
St. Anselms College (Academy)
St. Edwards College (Academy)
St. Francis Xavier's College (Academy)
St. Helens College
St. Helens M.B.C.
St John Plessington Catholic College
St Margaret Church of England Academy
Sutton Academy
The Studio (Academy)
University Academy of Birkenhead
University Academy of Liverpool
Upton Hall School (Academy)
Weatherhead High School (Academy)
West Derby School (Academy)
West Kirby Grammar School (Academy)
Whiston Town Council
Wirral Council
Wirral Grammar School for Boys (Academy)
Wirral Grammar School for Girls (Academy)
Wirral Metropolitan College
Woodchurch High School (Academy)

Admission Bodies
Addaction Ltd
Age UK - Liverpool
Agilisys Limited
Amey Services Ltd - Highways
Amey Services Ltd - Cleansing
Arriva North West
arvato Public Sector Services Limited
Association of Police Authorities
Beechwood and Ballantyne Housing Assoc.
Berrybridge Housing Ltd
Birkenhead Market Services Ltd
Birkenhead School (2002)
Care Quality Commission
Catholic Children's Society
CDS Housing
Cobalt Housing Ltd
Cofey Fire Project
Cofey PFI SEN School
Cofey Workplace
COLAS
Compass (Scolarest) Liverpool Schools
Compass (Scolarest) Wirral Schools
Computacenter (UK) Ltd
Comtechsa Limited
Elite Cleaning & Environmental Services Ltd
Enterprise Liverpool Neighbourhood Grounds

Geraud Markets Liverpool Ltd
Glendale (Liverpool Parks Services) Ltd
Glenvale Transport Ltd/Stagecoach.
Graysons Restaurants
Greater Hornby Homes
Greater Merseyside Connexions
Hall Cleaning Services
Helena Partnerships Ltd.
Hochtief Liverpool Schools
Hochtief Wirral Schools
Interserve (Facilities Management) Ltd
Kingswood Colomendy Ltd.
Knowsley Housing Trust
LACORS
Lee Valley Housing Association Ltd
Liberata (UK) Ltd.
Liverpool Association for the Disabled
Liverpool Citizens Advice Bureau
Liverpool Hope University
Liverpool Housing Trust
Liverpool Mutual Homes Ltd.
Liverpool Vision Limited
Local Government Association
Mack Trading
Magenta Living
Mellors Catering Services
Merseyside Lieutenancy
Merseyside Society for Deaf People
Merseyside Welfare Rights
Merseyside Youth Association
Mouchel (2020 Knowsley Ltd)
North Huyton Communities Future
North Liverpool Citizens Advice Bureau
Northgate Managed Services
One Vision Housing Ltd.
Partners Credit Union
Port Sunlight Village Trust
RM Education PLC
Sefton Education Business Partnership
Sefton New Directions Ltd.
South Liverpool Housing Ltd
Southern Electric Co Ltd
Southern Neighbourhood Council
Taylor Shaw - King David
Taylor Shaw (Meols Cop)
Vauxhall Neighbourhood Council
Veolia ES Merseyside & Halton
Village Housing Association Ltd
Wavertree Citizens Advice Bureau
Welsh Local Government Association
Wirral Autistic Society
Wirral Citizens Advice Bureau

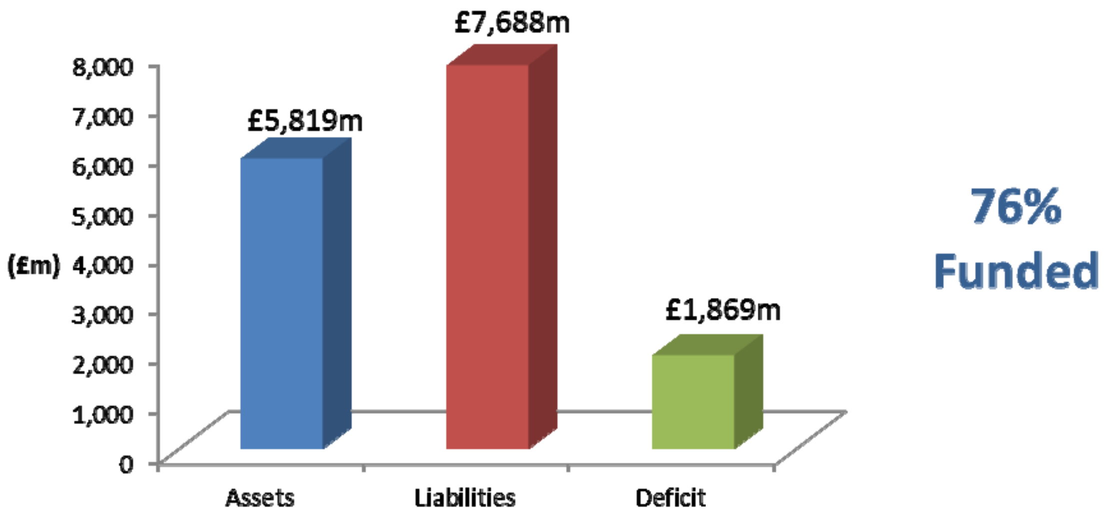
MERSEYSIDE PENSION FUND

Accounts for the year ended 31 March 2014 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £5,819 million represented 76% of the Fund's past service liabilities of £7,688 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £1,869 million.



The valuation also showed that a common rate of contribution of 13.3% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 80% with a resulting deficit of £1,456 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £76m per annum increasing at 4.1% per annum (equivalent to approximately 9.1% of projected Pensionable Pay at the valuation date) for 22 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

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

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

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

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.6% per annum	5.6% per annum
Rate of pay increases*	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2014 (the 31 March 2013 assumptions are included for comparison):

	31 March 2013	31 March 2014
Rate of return on investments (discount rate)	4.2% per annum	4.5% per annum
Rate of pay increases	3.9% per annum	3.9% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.4% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.5% p.a. versus 4.2% p.a.). The pay increase assumption at the year end has also changed to allow for a short-term public sector pay restraint as detailed in the actuarial valuation.

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2013 was estimated as £8,498 million. The effect of the changes in actuarial assumptions between 31 March 2013 and 31 March 2014 as described above is to decrease the liabilities by c£516 million. Adding interest over the year increases the liabilities by c£356 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by £31 million. Finally, allowing for actual vs expected membership experience, which emerged at the 2013 valuation, gives a reduction in liabilities of c£315 million.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2014 is therefore £7,992 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2014

Glossary of Financial Terms

GLOSSARY OF FINANCIAL TERMS

Accruals
Income is recognised when it is earned rather than when it is received. Expenditure is recognised when goods or services are received rather than when the payment is made.

Actuarial Gains and Losses
Actuaries assess financial and non-financial information provided to project levels of future pension Fund requirements. Changes in actuarial deficits or surpluses that arise because:
- Events have not coincided with the actuarial assumptions made at the last valuation
- The actuarial assumptions have changed.

Appointed Auditors
The Audit Commission appoints external auditors to every local authority from one of the major firms of registered auditors. From 2012/13 the external audit function was transferred from District Audit to Grant Thornton UK LLP

Balances
The balances are to provide funding for unanticipated expenditure and / or expenditure that is of an unforeseen nature. The level is determined having regard to the strategic, operational and financial risks and uncertainties faced by the Council.

Budget
The Budget is a statement of the spending plans for the financial year.

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

Capital Financing Charges
These are charges to the revenue account in respect of interest and principal repayments for borrowings together with any leasing rentals.

Capital Receipts
Income received from the disposal of land and other capital assets, and from the repayment of grants and loans to the Council.

Chartered Institute of Public Finance and Accountancy (CIPFA)
This Institute is the leading professional accountancy body for public services and produces the Accounting Standards and Code of Practice that must be followed in preparing the Council's financial statements.

Collection Fund
A Fund administered by the Council to record all income collected from local taxpayers and business ratepayers and show how this is passed on to other public authorities and Central Government.

Community Assets
These are fixed assets which the Council intends to hold in perpetuity which have no determinable finite useful life and may have restrictions on their disposal eg parks.

Council Tax
This is the main source of taxation for the Council. It is levied on households within the area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and for use by the Council's General Fund.

Creditors
Amounts owed by the Council for works undertaken, goods received or services provided for which payment had not been made at the date of the Balance Sheet.

Current Service Costs
The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period ie the ultimate pension benefits earned by employees in the current year.

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
Amounts owed to the Council that had not been received at the date of the Balance Sheet.

Defined Benefit Scheme
A pension, or other retirement benefit scheme, where the scheme's rules define the benefits payable independently of the contributions paid into the scheme. The benefits paid from the scheme are not directly related to the investments within the scheme. The scheme may be funded or unfunded.

Defined Contributions Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions, as an amount or as a % of pay, and has 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 charge that represents the extent to which an asset has been worn-out or used or otherwise reduced the useful economic life of a fixed asset during the year.

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

Expenditure
Amounts paid by the Council for works undertaken, good received or services provided, which is deemed to have been spent when the works, goods or services have been received.

External Audit
The independent examination of the activities and accounts to ensure that the accounts have been prepared in accord with legislative requirements and proper practices and to ensure proper arrangements to secure value for money in the use of resources have been made.

Fixed Assets
Assets that yield benefits to the Council and the services provided for a period of more than one year e.g. buildings, land and vehicles.

General Fund
The main revenue fund of the Council and includes the net costs of all services financed by local taxpayers and Government grants. It is the day to day spending on services.

Government Grants
There are two types of grant. Specific grants are for particular services such as Schools. The Formula Grant is to fund Local Authority services generally. It is based on complex formulae which provide the Government assessment of how much an authority needs to spend in order to provide a standard level of service.

Group Accounts
Group Accounts are required to consolidate the financial results of the Council with those of any subsidiaries and associates.

Heritage Assets
These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained for the contribution to knowledge and culture. This includes Bidston Windmill, Civic Regalia and the art and other important collections of porcelain and pottery.

Impairment
A reduction in the value of a fixed asset below the amount brought forward in the Balance Sheet. Reductions include items such as a significant decline in a fixed asset's market value.

Income
Amounts due to the Council for goods supplied or services provided with the income deemed to have been earned once the goods or services have been supplied.

Infrastructure Assets
These are assets which generally cannot be sold and from which benefit can be obtained only from the continued use of the asset eg highways and bridges.

Intangible Assets
These are assets which do not have physical substance but are identifiable and controlled by the Council and include items such as software and licenses.

International Financial Reporting Standards (IFRS)
The Standards dictate specific accounting treatments. They must be applied to all financial statements in order to provide a true and fair view of the financial position, and a standardised method of comparison with others. The Service Reporting Code of Practice interprets the Standards for local government.

Leases
Leasing costs are the rental for the use of an asset for a specified period of time. There are two different types of lease. Finance leases transfer substantially the risks and rewards of ownership of a fixed asset to the lessee. Operating leases are where the balance of risks and rewards remains with the lessor who retains the asset eg computer equipment.

Minimum Revenue Provision (MRP)
This is the minimum amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

National Non-Domestic Rates (NNDR also known as Business Rates)
A levy on business property based on national rate in the £ applied to the rateable value of the premises. The Government determines the national rate and the Rates are collected by the Council and 50% of the amount collected is paid to Central Government. The remaining 50% is retained by the Council (49%) and the Merseyside Fire and Rescue Service (1%).

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

Net Expenditure
Gross expenditure less specific service income but before the deduction of non-ring fenced government grants and local taxation.

Precept
The amount the Council is required to raise from Council Tax on behalf of other authorities namely the Merseyside Recycling & Waste Authority and the Merseyside Integrated Transport Authority (Merseytravel).

Prior Year Adjustments
These are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

Provisions
Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and / or timing of such costs is uncertain.

Public Works Loans Board (PWLB)
A Central Government body which is the main provider of loans to local authorities to fund capital expenditure.

Reporting Standards
The Code of Practice prescribes the accounting treatment and disclosures for all the normal transactions of the Council. It is based upon International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) and UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Reserves
These are amounts held to meet specific, known or predicted future expenditure.

Revenue Expenditure
This is spending on the day-to-day running costs of providing services and is primarily employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
This represents items of capital expenditure where no asset exists and the cost is allowed by statute to be charged as revenue expenditure to the Consolidated Income & Expenditure Statement.

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

Service Reporting Code of Practice (SeRCOP)
This Code is prepared and published annually by CIPFA. It is reviewed annually to ensure that it is developed in line with the needs of modern local government, transparency, best value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services. In England and Wales it is given legislative support by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

Un-apportioned Central Overheads
Overheads for which no user receives any specific benefit and the costs are not apportioned to services.

Unfunded Defined Benefit Scheme
An employer managed retirement plan that uses the employer's current income to fund pension payments as they become necessary. This is in contrast to a funded pension scheme where an employer sets aside funds systematically and in advance to cover any pension plan expenses such as payment to retirees and their beneficiaries.

Unsupported (Prudential) Borrowing
This is borrowing for which no support is given by Central Government. The Council is permitted to undertake unsupported borrowing but has to ensure that the borrowing costs are affordable and be met from the revenue budget.

Useful Life
This is the period over which the Council will derive benefit from the use of an asset.