

WIRRAL COUNCIL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

6 FEBRUARY 2007

REPORT OF THE DIRECTOR OF FINANCE

TREASURY MANAGEMENT - CURRENT ESTIMATE 2006/07 AND BASE ESTIMATE 2007/08

1. EXECUTIVE SUMMARY

- 1.1 This report informs Members of the Current Estimate for 2006/07 and the Base Estimate for 2007/08. The report also draws together the key financial issues that have been reported to this Committee during the year to date as part of the regular financial monitoring report.
- 1.2 Members are asked to endorse these proposals and refer items for revenue growth and savings to the Budget Cabinet on 19 February 2007 so that they can be included in the 2007/08 Budget.

2. INTRODUCTION

- 2.1 Appendix 1 details the significant variations affecting the Current Estimate 2006/07 and Base Estimate 2007/08. This includes a number of inter-departmental budget transfers, which affect both financial years.
- 2.2 For the 2007/08 Base Estimate an allowance for inflation has been included as follows:

Pay	3.00%
Prices (income only)	3.00%

3. FINANCIAL YEAR 2006/07

- 3.1 Following Budget Council on 1 March 2006 the approved budget for Treasury Management was set at £14,414,700.
- 3.2 **Progress on Policy Options**
 - 3.2.1 There were no policy options which affected these budgets.
- 3.3 **Progress on Savings**
 - 3.3.1 There were no savings for 2006/07 which affected these budgets.

3.4 Progress on Service Re-engineering Savings

- 3.4.1 The Treasury Management budgets essentially relate to the financing costs of asset management with the related staffing and accommodation running costs being held within departmental budgets. Consequently there is no service re-engineering target for this particular budget.

3.5 Bridging Finance

3.5.1 There were no bridging finance savings which affected the Treasury Management budgets.

3.6 Cabinet and Committee Decisions

3.6.1 Cabinet on the 28 June 2006 agreed to variations in the Finance Department budget, to meet the increased pressures and requirements on Treasury Management, due to the Audit Commission and Internal Audit reports in respect of the Prudential Code. The costs to be met from a transfer from Treasury Management are £125,000 for the full year but total £93,800 in 2006/07.

3.7 Variations 2006/07

3.7.1 The paragraphs below detail areas where variations or potential variations may occur between forecast expenditure and the budget. These variations are analysed between those arising from central sources and those which are department specific.

3.7.2 The Asset Management budget has income and expenditure of £9 million and £7 million respectively and due to such size and complexity may vary significantly. Changes in interest rates and market conditions, for example, would impact on these budgets.

3.8 Variations From Central Sources

3.8.1 Transfers Between Departments

There was a transfer from Treasury Management to the Finance Department of £130,000 to reflect the allocation of audit costs between the Audit Commission and Internal Audit.

3.8.2 Capital Charges

In June 2006 CIPFA removed the requirement for a notional financing charge to be applied to the value of the Council's assets. This is one of a number of amendments to bring public sector accounts into line with the UK GAAP (Generally Accepted Accounting Practice) standard. However, a depreciation charge is still required for operational assets.

The net effect for this Committee is a reduction in income from capital charges of £17,443,700 in 2006/07. These are offset by decreases in other departmental budgets.

3.8.3 Central Establishment and Other Recharges

Central establishment and other recharges have been recalculated to ensure services are appropriately charged out across the service areas. This has resulted in a reduction in recharges affecting Corporate Management and Democratic Services. There will be corresponding adjustments in other departmental recharge budgets.

3.9 Variations - Departmental

3.9.1 In terms of capital financing there has been an increase in net interest payments of £18,800 and a reduction in the minimum revenue provision of £36,800.

4. FINANCIAL YEAR 2007/08

4.1 The Base Estimate has been prepared assuming inflation as per paragraph 2.2 of this report.

4.2 The paragraphs below detail areas where variations may occur between the 2006/07 Base Estimate and the 2007/08 Estimate. These variations are analysed between those arising from central sources and those which are Departmental specific.

4.3 Variations From Central Sources

4.3.1 Transfer of Budgets Between Departments.

There was a transfer from Treasury Management to the Finance Department of £130,000 to reflect the allocation of audit costs between the Audit Commission and Internal Audit.

4.3.2 Capital Charges

As per paragraph 3.8.2 above CIPFA have changed the accounting treatment of capital charges on council assets. The net effect for this Committee is a reduction in income from capital charges of £17,443,700 in 2007/08. These are offset by decreases in other departmental budgets.

4.3.3 Central Establishment and Other Recharges

As outlined above in paragraph 3.8.3, Central establishment and other recharges have been recalculated to ensure services are appropriately charged out across the service areas. This has resulted in a variation in recharges largely affecting the Corporate Management and Democratic Services. There will be corresponding adjustments in other departmental recharge budgets.

4.4 Variations - Departmental

4.4.1 In terms of capital financing this was reported to cabinet on 14 December 2006. Based upon the management of debt portfolio and the impact of the capital programme there is an increase in net interest payments of £1,706,800 and an increase in the minimum revenue provision of £1,167,200. The same meeting agreed to the release of the Housing Benefit Reserve. A consequential impact being upon the cash flow giving an decrease in interest receipts of £500,000.

4.5 ADDITIONAL REQUIREMENTS

4.5.1 Other than the changes relating to capital financing there are no additional requirements for 2007/08.

4.6 Savings

4.6.1 The Treasury Management budget is not directly affected by the 2007/08 agreed savings.

5. FINANCIAL AND STAFFING IMPLICATIONS

5.1 The attached gives further explanation of the changes to, and the composition of, the budget for Treasury Management. The key figures at the date of preparing this report are:

Treasury Management	£
Base Estimate 2006/07	14,414,700CR
Current Estimate 2006/07	2,900,600DR
Base Estimate 2007/08	6,398,900DR

6. EQUAL OPPORTUNITIES IMPLICATIONS

6.1 There are none arising directly from this report.

7. HUMAN RIGHTS IMPLICATIONS

7.1 The allocation and management of resources must be mindful of the Council's obligation to act consistently to ensure the rights of individuals are not contravened.

8. COMMUNITY SAFETY IMPLICATIONS

8.1 There are no specific implications arising from this report.

9. LOCAL MEMBERS SUPPORT IMPLICATIONS

9.1 There are no specific implications for any member or ward arising from this report.

10. LOCAL AGENDA 21 IMPLICATIONS

10.1 There are no specific agenda 21 implications arising from this report.

11. PLANNING IMPLICATIONS

11.1 There are none arising from this report.

12. BACKGROUND PAPERS

12.1 None were used in the preparation of this report.

13. RECOMMENDATIONS

13.1 That a further report on financial monitoring for 2006/07 be submitted to the next appropriate meeting.

13.2 That the Current Estimate for 2006/07 and the Base Estimate for 2007/08 be approved and referred to the budget meeting of Cabinet 19 February 2007.

IAN COLEMAN
DIRECTOR OF FINANCE

TREASURY MANAGEMENT

Appendix 1

	Current Estimate 2006/07 £'000	Base Estimate 2007/08 £'000	
Base Estimate 2006/07	(14,414.7)		(14,414.7)
<u>Transfers Between Departments</u>			
Audit Costs re-allocated – To Finance	(130.0)	(130.0)	
Treasury Management Team – To Finance	(93.8)	(125.0)	
	(223.8)		(255.0)
<u>Inflation :</u>			
Pay	-	73.5	
Income	-	(75.0)	
	-		(1.5)
<u>Increased Expenditure :-</u>			
Capital Financing	-	3,374.0	
Support Services Charges	45.0	184.0	
	45.0		3,558.0
<u>Reduced Expenditure :-</u>			
Capital Financing	(18.0)	-	
	(18.0)		-
<u>Increased Income :-</u>			
	-	-	-
<u>Reduced Income :-</u>			
Capital Charges	17,443.7	17,443.7	
Depreciation	68.4	68.4	
	17,512.1		17,512.1
ESTIMATE 2006/07 and 2007/08	2,900.6		6,398.9

TREASURY MANAGEMENT	Base Estimate 2006/07 £	Current Estimate 2006/07 £	Estimate 2007/08 £
SUBJECTIVE SUMMARY			
<u>Expenditure</u>			
Employees	2,468,700	2,468,700	2,542,200
Premises	16,800	15,200	15,200
Supplies and Services	941,500	751,800	751,800
Third Party Payments	1,398,700	1,398,700	1,392,700
Transfer Payments	1,199,400	1,668,400	1,018,400
Support Services	3,831,100	3,910,400	4,058,400
Financing Costs	15,685,500	542,300	4,682,800
	25,541,700	10,755,500	14,461,500
<u>LESS Income</u>			
Government Grants	-1,426,800	-26,800	-26,000
Other Grants and Reimbursements	-1,400,000	-2,300,000	-2,500,000
Customer and Client Receipts	-4,600,000	-4,600,000	-4,600,000
Interest	-102,000	-70,000	-70,000
Recharge to Other Revenue Accounts	-32,427,600	-858,100	-866,600
	-39,956,400	-7,854,900	-8,062,600
TREASURY MANAGEMENT TOTAL	-14,414,700	2,900,600	6,398,900

TREASURY MANAGEMENT	Base Estimate 2006/07 £	Current Estimate 2006/07 £	Estimate 2007/08 £
OBJECTIVE SUMMARY			
<u>TREASURY MANAGEMENT</u>			
Asset Management	-20,682,600	-3,282,300	3,500
Corporate Management	2,485,700	2,450,300	2,595,500
Democratic Representation	2,013,300	1,963,800	1,978,100
Pensions	1,768,900	1,768,800	1,821,800
TREASURY MANAGEMENT TOTAL	-14,414,700	2,900,600	6,398,900

Base

Current

TREASURY MANAGEMENT	Estimate 2006/07 £	Estimate 2006/07 £	Estimate 2007/08 £
<u>Asset Management</u>			
<u>Expenditure</u>			
1 Employees	18,100	18,100	18,100
2 Third Party Payments	1,258,000	1,258,000	1,252,000
3 Transfer Payments	1,199,400	1,668,400	1,018,400
4 Support Services	480,700	453,700	453,700
5 Financing Costs	15,615,500	472,300	4,601,300
6	18,571,700	3,870,500	7,343,500
<u>LESS Income</u>			
7 Government Grants	-1,426,800	-26,800	-26,000
8 Other Grants and Reimbursements	-1,400,000	-2,300,000	-2,500,000
9 Customer and Client Receipts	-4,600,000	-4,600,000	-4,600,000
10 Interest	-102,000	-70,000	-70,000
11 Recharge to Other Revenue Accounts	-31,725,500	-156,000	-144,000
12	-39,254,300	-7,152,800	-7,340,000
13 Asset Management Total	-20,682,600	-3,282,300	3,500
<u>Corporate Management</u>			
<u>Expenditure</u>			
14 Premises	16,800	15,200	15,200
15 Supplies and Services	777,500	587,900	587,900
16 Third Party Payments	140,700	140,700	140,700
17 Support Services	1,500,700	1,656,500	1,790,200
18 Financing Costs	70,000	70,000	81,500
19	2,505,700	2,470,300	2,615,500
<u>LESS Income</u>			
20 Recharge To Other Revenue Accounts	-20,000	-20,000	-20,000
21 Corporate Management Total	2,485,700	2,450,300	2,595,500
<u>Democratic Representation</u>			
<u>Expenditure</u>			
22 Supplies and Services	163,600	163,600	163,600
23 Support Services	1,849,700	1,800,200	1,814,500
24 Democratic Representation Total	2,013,300	1,963,800	1,978,100
	Base Estimate 2006/07	Current Estimate 2006/07	Estimate 2007/08

	£	£	£
<u>Pensions</u>			
<u>Expenditure</u>			
25 Employees	2,450,600	2,450,600	2,524,100
26 Supplies and Services	400	300	300
27	2,451,000	2,450,900	2,524,400
<u>LESS Income</u>			
28 Recharge to Other Revenue Accounts	-682,100	-682,100	-702,600
29 Pensions Total	1,768,900	1,768,800	1,821,800
30 TREASURY MANAGEMENT TOTAL	-14,414,700	2,900,600	6,398,900

APPENDIX 2

TREASURY MANAGEMENT

AGREED SAVINGS

There have been no agreed savings from the Treasury Management Budget for 2007/08.

The Treasury Management budgets essentially relate to the financing costs of asset management with the related staffing and accommodation running costs being held within departmental budgets. Consequently there is no Service Re-engineering savings target for this particular budget.