



Audit and Risk Management Committee

Date:	Monday, 17 January 2011
Time:	6.15 pm
Venue:	Committee Room 1 - Wallasey Town Hall

Contact Officer: Mark Delap
Tel: 0151 691 8500
e-mail: markdelap@wirral.gov.uk
Website: <http://www.wirral.gov.uk>

SUPPLEMENTARY AGENDA

11. IFRS ACCOUNTS RE-STATEMENT (Pages 1 - 12)
21. BUDGET PROJECTION 2011/2012 (Pages 13 - 20)

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

17 JANUARY 2011

REPORT OF THE DIRECTOR OF FINANCE

IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

1. EXECUTIVE SUMMARY

- 1.1. This report is to update Members on the progress of implementing International Financial Reporting Standards (IFRS). It provides a Balance Sheet at 1 April 2009 prepared under the Standards and details the main accounting policies applied to prepare the Balance Sheet.

2. INTRODUCTION

- 2.1. The report provides an overview of anticipated policy changes that are expected to be disclosed in the IFRS compliant financial statements of the Council for the 2010/11 financial year. It is a statutory requirement for local authorities to report under IFRS in 2010/11 and the use of appropriate accounting policies determines the way in which the financial statements are prepared.
- 2.2. IFRS is to be fully implemented from 1 April 2010, but the transition date is 1 April 2009. The report sets out a Balance Sheet at that date.

3. KEY TOPICS FOR MEMBERS CONSIDERATION

3.1. IFRS ACCOUNTING POLICIES

- 3.1.1 Accounting policies set down how transactions are reflected in the Statement of Accounts. They detail the principles, process, rules and practices whereby transactions and other events are reflected in the financial statements. The implementation of IFRS requires significant changes to Council accounting policies. The policies used in producing the 1 April 2009 IFRS Balance Sheet are based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (The Code). This is based on International Financial Reporting Standards.
- 3.1.2 Prior to 2010/11 local authorities were required to prepare their accounts according to the Statement of Recommended Practice (SORP) prepared by CIPFA. The SORP was based on Generally Accepted Accounting Principle (GAAP) but modified for local government where legislative requirements demand different treatments to UK GAAP. This was to mitigate the potential

effects upon Council Tax of certain transactions and to recognise the different nature of local authority funding.

- 3.1.3 The introduction of IFRS will significantly change the way that local authority accounts are prepared and a number of areas are subject to different accounting treatments to that under the SORP. As a consequence a number of existing accounting policies are to be changed.
- 3.1.4 A list of changes to accounting policies for 2009/10 is shown in Appendix 1 and the key accounting policy changes are outlined below. There are also a large number of changes to reflect changes in account titles and line changes as required by the Code.

Tangible Fixed Assets

Investment Property

IFRS introduces a new classification of non-current assets called investment property. An investment property is defined as a property which is held exclusively for revenue generation or for capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver Council services.

Component Accounting

IFRS places greater emphasis on component accounting. Where components of an asset are significant in the value of the asset as a whole, and they have substantially different economic lives, they should be recognised separately. There is no requirement to apply these changes retrospectively and instead components should be recognised separately as and when they are replaced.

Non – Current Assets Held for Sale

IFRS introduces a new classification of non-current assets called Assets Held for Sale. Assets meeting this classification are those where the value of the assets will be recovered mainly by selling the asset rather than through usage. To be classed as Held for Sale the asset must meet the following criteria:

- Be available for immediate sale in its present condition.
- Its sale must be highly probable.
- Management expect the sale to take place within 12 months.

Assets held for sale are to be valued at the lower of their existing Balance Sheet value or their estimated sale price less cost to sell.

Government Grants and Other Contributions

Under the SORP grants received by the Council towards capital expenditure were held in the Government Grants Deferred Account and written off to revenue over the life of the asset that the grant was used to purchase.

Under IFRS, all such grants are to be treated as revenue income as soon as any conditions relating to the grant have been met.

Employee Benefits (New policy)

A new requirement under IFRS is that the Council must make an accrual in its accounts at the year end for any annual leave and flexible time entitlement earned but not taken by employees at the end of the financial year.

Leasing

Leases can be classified as either finance or operating leases. If a lease substantially transfers all the risks and rewards incidental to ownership it will be classified as a finance lease regardless of its legal form.

For assets leased under finance leases, the asset value will be recognised on the balance sheet. Leases that do not meet the definition of finance leases are accounted for as operating leases and the income and expenditure is either credited or charged to the revenue accounts on a straight line basis over the term of the lease.

Cash and Cash Equivalents (New policy)

Cash under the SORP as defined as cash deposits less overdrafts. Under IFRS the definition of cash has been expanded to include cash equivalents. These 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.

3.2. IFRS 1 APRIL 2009 BALANCE SHEET

3.2.1 IFRS is to be implemented in full for the financial year 2010/11. The adoption of the standards for the first time requires the inclusion in the Statement of Accounts for 2010/11 of revised financial information for 2009/10. The published accounts for 2009/10 approved on 28 September 2010 by this Committee have to be re-stated.

3.2.2 The first stage of this is to restate the Balance Sheet as at 1 April 2009. The work to achieve this has been completed and the restated 1 April 2009 Balance Sheet is shown in appendix 3. Appendix 2 details the main changes which are explained in the following paragraphs.

3.2.3 Fixed Assets– Vehicles, Plant & Equipment, Assets Held for Sale, Investment Properties

The fixed asset balance has been restated for the following:

(i) Identification of Leased Assets

A major part of the work required for IFRS has been the identification and accounting for fixed assets that are provided under lease type arrangements.

Under IFRS it is necessary to identify all explicit and implicit lease type arrangements that the Council has signed. These have been assessed under IFRS rules to determine if they are finance or operating leases. Work has been carried out to identify, determine and assess all of these arrangements. A total of £6.885m has been added to the Balance Sheet value for Vehicles, Plant, Furniture and Equipment. The addition of these fixed assets has resulted in a corresponding increase in lease liabilities recorded under Long Term Liabilities (£5.094m) and creditors (£1.791m).

(ii) New definition of Assets Held for Sale

Under IFRS a new definition of Assets Held for Sale operates. This states that to fit this classification assets meet certain criteria such as being immediately available for sale in their present condition; the sale is highly probable, with the Council clearly committed to a sale and with the properties being actively marketed. The application of this definition has resulted in 14 of the 44 assets previously recognised as non operational surplus assets being reclassified as operational non – current surplus assets valued at £1.686m. A total of 29 assets have been recognised as meeting the definition of Held for Sale current assets. These are valued at the date the criteria was met and valued at £4.221m in the restated Balance Sheet. One property has been reclassified as an investment property rather than held for sale.

(iii) New definition of Investment Properties

This category of asset has become a separate area in the IFRS balance sheet. Work has been undertaken to identify those that meet the definition. It has been found that the majority of previously classified investment properties retain this classification. As a consequence of this valuations have been adjusted to reflect asset records and a small number of properties have been reclassified to the two categories of surplus assets.

3.2.4 Investments and Cash & Bank

The change in the meaning of cash to include cash and cash equivalents has meant that part of the Current Assets Investments balance (£74.332m) has been reclassified. The result is that the £35.875m cash and cash equivalent figure is made up of investments of less than 3 months (£30.515m) and cash (£5.360m).

3.2.5 Creditors

The creditors balance has been restated for the following:

(i) Employee benefits accrual

The accrual has attached a monetary value on short-term employee benefits (£5.236m), such as flexi time balances and annual leave, not taken at the 31 March 2009 for all staff including teachers. The majority of this accrual is attributable to teaching related staff and the timing of the Easter holiday. A new unusable reserve called Short Term Accumulating Compensated Absences Accounts has been created to match the accrual that has been established.

(ii) Reclassification of capital grants and contributions

Creditors under previous accounting arrangements included unapplied capital grants and contributions. Under IFRS this has now been disaggregated into those that do and do not have conditions attached to them. Those that do have conditions to be met by the Council have been transferred to Capital Grants Receipts in Advance, and those that do not have been transferred to Capital Grants Unapplied Account in the bottom section of the balance sheet.

(iii) Lease Liabilities due within 1 year

The inclusion of lease amounts due to be paid within 1 year. This reflects the inclusion of fixed assets that are provided under a lease arrangement being included on the IFRS Balance Sheet.

3.2.6 Provisions

Assessment of all provisions (£11.022m) at 1 April 2009 has been made to identify those that are likely to be used in less than 12 months. As a consequence of this £3.227m of provisions have been reclassified from long term liabilities to current liabilities.

3.2.7 Government Grants Deferred

The Government Grants Deferred balance (£126.116m) has been written out of the Balance Sheet. This has been written off to the Capital Adjustment Account. This is in line with the change in accounting policy for capital grants and reflecting that grants previously held in account have already been applied to fund capital expenditure. As such it can be concluded that conditions attached to them have been met and the full amount has been written out of the Balance Sheet.

3.2.8 Reserves

Under IFRS, Reserves have to be classified as either usable reserves i.e. available to fund expenditure in the future, or unusable i.e. accounting reserves that are not available to fund future expenditure as they related to accounting adjustments rather than being of a monetary nature. This can be seen in the restated balance sheet in the IFRS format. The revaluation reserve has changed in value (£14.859m) due to a new treatment of impairment in the Comprehensive Income and Expenditure Account.

3.3. **SUMMARY**

3.3.1 The changes to the accounting policies identified are required to prepare the IFRS compliant financial statements including the restated figures for the 2009/10 financial year. The restated Balance Sheet is at Appendix 3. Any additional changes which may be required will be included in the 2010/11 financial statements.

4. FINANCIAL IMPLICATIONS

- 4.1. The financial implications are detailed in the report. They do not affect the revenue position of the Council as the changes concern accounting adjustments to comply with IFRS.

5. STAFFING IMPLICATIONS

- 5.1. There are none arising directly from this report.

6. EQUAL OPPORTUNITY IMPLICATIONS

- 6.1. There are none arising directly from this report.

7. COMMUNITY SAFETY IMPLICATIONS

- 7.1. There are none arising directly from this report.

8. HUMAN RIGHTS IMPLICATIONS

- 8.1. There are none arising directly from this report.

9. LOCAL AGENDA 21 IMPLICATIONS

- 9.1. There are none arising directly from this report.

10. PLANNING IMPLICATIONS

- 10.1. There are none arising directly from this report.

11. MEMBER SUPPORT IMPLICATIONS

- 11.1. There are none arising directly from this report.

12. BACKGROUND PAPERS

- 12.1 Audit Commission Briefing Papers –
IFRS – Reporting on operating segments
IFRS – Progress on the transition to IFRS
IFRS – Accounting for employee benefits
IFRS – Practical implications of restating non-current assets
IFRS – A Guide for senior managers and Members
IFRS – Accounting for non-current assets
IFRS – Identifying and accounting for leases
- 12.2 Chartered Institute of Public Finance and Accountancy – Code of Practice on Local Authority Accounting 2010/11

13. RECOMMENDATION

- 13.1. That the restated Balance Sheet at 1 April 2009 and proposed changes to the accounting policies be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

APPENDIX 1

PROPOSED CHANGES TO CURRENT ACCOUNTING POLICIES

CURRENT POLICY	CHANGE TO CURRENT POLICY
1. ACCRUALS OF INCOME AND EXPENDITURE	No
2. AREA BASED GRANT (ABG)	No
3. CAPITAL RECEIPTS	No
4. CONTINGENT ASSETS AND LIABILITIES	No
5. DEBT REDEMPTION (THE MINIMUM REVENUE PROVISION)	No
6. EVENTS AFTER THE BALANCE SHEET DATE	Minor change
7. EXCEPTIONAL/ EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS	Minor change
8. FINANCIAL INSTRUMENTS	No
9. FOREIGN CURRENCY	No
10. GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS	Yes
11. GROUP ACCOUNTS	No (wording change)
12. INTANGIBLE ASSETS	No
13. JOINT ARRANGEMENTS THAT ARE NOT ENTITIES (JANE)	No
14. LEASING	Yes
15. LOCAL TAXES	No
16. NON-DISTRIBUTED COSTS	No
17. OVERHEADS	No
18. PRIVATE FINANCE INITIATIVE (PFI)	No
19. PROVISIONS	No (wording change)
20. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	No
21. REPURCHASE OF BORROWING	No
22. RESERVES	No (wording change)
23. RETIREMENT BENEFITS	Yes Within new policy Employee Benefits
24. STOCKS	No (wording change)
25. TANGIBLE FIXED ASSETS	Yes
26. VALUE ADDED TAX (VAT)	No
27. WORK IN PROGRESS	No

APPENDIX 2

RESTATED BALANCE SHEET (detail)

Restated Balance Sheet	Original At 31 March 2009 £000	Restated At 1 April 2009 £000	Report paragraph
Intangible Fixed Assets	1,124	1,124	
Operational Fixed Assets			
Other Land & Buildings	587,396	587,396	
Vehicles, Plant & Equipment	3,248	10,133	3.2.3
Infrastructure Assets	83,494	83,494	
Community Assets	26,249	26,249	
Surplus assets not held for sale	-	1,686	3.2.3
	700,387	708,958	
Non Operational Assets			
Investment	10,990	11,161	3.2.3
Surplus	7,355	-	3.2.3
Construction	27,761	27,761	
	46,106	38,922	
Long-term investments	11,396	11,396	
Long-term Debtors	71,985	71,985	
	83,381	83,381	
Total Long-Term Assets	830,998	832,385	
Current Assets			
Stocks & WIP	317	317	
Debtors	69,990	69,990	
Investments	74,332	43,817	3.2.4
Cash & Bank	5,360	35,875	3.2.4
Assets held for sale in less than 1 year	-	4,221	3.2.3
	149,999	154,220	
Current Liabilities			
Short Term Borrowing	25,973	25,973	
Creditors	74,398	65,849	3.2.3/ 3.2.5
Provisions due in less than 1 year	-	3,227	3.2.6
	100,371	95,049	
Total Assets Less Current Liabilities	880,626	891,556	
Long-Term Liabilities		-	
Long-term borrowing	270,221	270,221	
Provisions due in more than 1 year	11,022	7,795	3.2.6
Government Grants Deferred	126,116	-	3.2.7
Deferred Credits	549	549	
Lease Liability	68,786	73,880	3.2.3
Liability Related to Defined Benefit Pension	297,278	297,278	

Scheme			
Capital Grants Receipts in Advance	-	275	3.2.5
	773,972	649,998	
Total Assets Less Liabilities	106,654	241,558	
Financed by:			
Capital Adjustment Account	150,762	290,460	3.2.3/3.2.7/3.2.8
Revaluation Reserve	158,780	143,921	3.2.3
Financial Instruments Adjustment Account	(4,258)	(4,258)	
Available-for-Sale Financial Instruments Reserve	746	746	
Collection Fund Adjustment Account	(337)	(337)	
Capital Receipts Reserve	9,472	9,472	
Pensions Reserve	(297,278)	(297,278)	
Reserves – General	80,485	80,485	
Balances - General Fund	8,282	8,282	
Capital Grants Unapplied	-	15,301	3.2.6
Short-term Accumulating Compensated Absences	-	(5,236)	3.2.6
	106,654	241,558	

RESTATED BALANCE SHEET

Restated Balance Sheet in IFRS Format This is to illustrate the format that the Balance Sheet will take in the IFRS format	Restated At 1 April 2009 £000
Property, Plant & Equipment	
Other Land & Buildings	587,396
Vehicles, Plant, Furniture and Equipment	10,133
Infrastructure	83,494
Community Assets	26,249
Assets under construction	27,761
Surplus assets not held for sale	1,686
	736,719
Investment Property	
Investment Property	11,161
Investment Property Under Construction	-
	11,161
Intangible Assets	
Software	1,124
Rights of use of land	-
	1,124
Long Term Investments	
Non property investments	11,396
Long Term Debtors	71,985
Long Term Assets	832,385
Short Term Investments	
Non property investments excl cash equivalent	43,817
Inventories	317
Short Term Debtors	69,990
Cash and Cash Equivalents	35,875
Assets held for sale in less than 1 year	4,221
Current Assets	154,220
Bank Overdraft	-
Short Term Borrowing	25,973
Short Term Creditors	65,849
Provisions due in less than 1year	3,227
Current Liabilities	95,049
Provisions due in more than 1year	7,795
Long Term Borrowing	270,221
<i>Other Long Term Liabilities</i>	
Net Pensions Liability	297,278
Deferred Credits	549
Lease Liability	73,880

Capital Grants Receipts in Advance	275
Long Term Liabilities	649,998
Net Assets	241,558
Usable reserves	
General Fund	8,282
Earmarked reserves	66,410
Capital Receipts Reserve	9,472
Capital Grants Unapplied	15,301
Insurance Fund	14,075
	113,540
Unusable Reserves	
Revaluation Reserve	143,921
Available-for-Sale Financial Instruments Reserve	746
Pensions Reserve	(297,278)
Capital Adjustment Account	290,460
Deferred Capital Receipts	-
Financial Instrument Adjustment Account	(4,258)
Collection Fund Adjustment Account	(337)
Unequal Back Pay Account	-
Short-term Accumulating Compensated Absences Account	(5,236)
	128,018
Total Reserves	241,558

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

17 JANUARY 2011

REPORT OF THE DIRECTOR OF FINANCE

BUDGET PROJECTIONS 2011-2013

1. EXECUTIVE SUMMARY

1.1. This report updates the projected budgets for 2011-12 and 2012-13 taking into account the Spending Review presented on 20 October 2010 and the provisional Local Government Finance Settlement. It was presented to the Cabinet on 13 January 2011.

2. ASSUMPTIONS UNDERPINNING THE PROJECTIONS

- 2.1. Inflation – Cabinet on 9 December 2010 agreed that no provision be made for price inflation in 2011-12 with income to continue to increase by 3% per annum. Pay awards will be limited to those employees earning less than £21,000 per annum for 2011-13.
- 2.2. Capital Financing – Cabinet on 9 December 2010 agreed a capital programme at an increased revenue cost of £2.3m in 2011-12 and £1.9m in 2012-13. The Government has subsequently announced that there will be no revenue support for new capital expenditure.
- 2.3. Pension Fund – the increase arising from the actuarial valuation including the impact of the outsourcing of the highways and engineering services contract will increase the contribution by £0.8m in 2011-12 and by £0.3m in 2012-13.
- 2.4. Waste Disposal – for 2011-12 there should be a levy reduction of £1.0m. The Landfill Tax will increase by £8 per ton per annum, an increase of 50% between 2010-11 and 2014-15. The levy is assumed to increase by 8% in 2012-13.
- 2.5. Merseytravel – the levy is to increase in 2011-12 by £1.6m, the element of the grant receivable for concessionary travel and by 3% in 2012-13.
- 2.6. Private Finance Initiative – the latest projections are included.
- 2.7. Benefits – the Department for Work and Pensions is estimating an annual increase of 1.7%.
- 2.8. Schools – it is assumed that the Schools Budget will vary in line with the Dedicated Schools Grant.
- 2.9. Adult Social Services Reform – the previous Government announced that the Reform Grant of £1.9m will cease after 2010-11 with the assumed implementation of the personalisation agenda.

- 2.10. Carbon Reduction Commitment – payment of £0.5m commencing in 2011-12.
- 2.11 Home Insulation – increased cost from 2011 of £1m.
- 2.12 Guinea Gap and Leasowe Recreation Centres – restoration into budget at a cost of £0.6m each.
- 2.13 Swimming - the Department for Culture, Media and Sport has deleted the grant of £0.3m to fund free swimming.
- 2.14 Energy – Cabinet on 9 December 2010 agreed the renewal of energy contracts at an additional £0.3m.
- 2.15 Working Neighbourhoods Fund (WNF) – the previous Government announced that WNF which was originally worth £10.3m in 2010-11 would cease after 2010-11.
- 2.16 Economy and Regeneration – Cabinet on 9 December 2010 agreed to increased expenditure of £2.85m of which £0.74m should be funded by grant.
- 2.17 Efficiency Investment – in order to continue to deliver efficiencies in future years it will be necessary to continue to invest and therefore £2m per annum has been provided.
- 2.18 Other Unavoidable Growth – a number of items of unavoidable growth of less than £0.2m will arise. These usually total about £1m per annum.
- 2.19 Council Tax – the Government has announced a freeze in Council Tax increases for 2011-12. A specific grant equivalent to a Council Tax increase of 2.5% will be receivable. From 2012-13 any proposed increase above the rate of inflation will be the subject of a local referendum.

3. **GRANT NEGOTIATIONS**

- 3.1. Consultation on a range of options potentially affecting the Revenue Support Grant distribution closed on 6 October 2010. The Wirral response to the consultation was reported to Cabinet on 14 October 2010. Consultation also took place on a number of specific grants.
- 3.2. HM Treasury presented the Spending Review on 20 October 2010. The Department for Communities and Local Government (DCLG) indicated a reduction in Government Grants equal to 7.1% per annum for 2011-15. Subsequently the DCLG indicated that the reduction would be front loaded.
- 3.3. Announcement of the provisional Local Government Finance settlement commenced on 13 December 2010. Details of the latest position are reported elsewhere on this agenda. Area Based Grant (ABG) and the majority of specific grants have been included in the Revenue Support Grant (RSG). Overall there is a grant reduction of £41m but clarification is still awaited on a number of elements of the RSG and a number of specific grants.
- 3.4. The provisional settlement is for two years only, and consultation is open until 17 January 2011.

- 3.5. The Government has commenced reviews of public sector pensions and welfare benefits, and has announced a review of Local Government Finance to commence in January 2011. The Government has also announced that Council Tax Revaluation will be postponed until after 2015.
- 3.6. The interim report of the Independent Public Service Pensions Commission was issued on 7 October 2010 in time for the DCLG to incorporate elements into the Spending Review and the provisional Local Government Finance Settlement. The final report is due for publication by March 2011.
- 3.7. During the course of this budgeting period the results of the Census 2011 will become available and will be incorporated into the grant distribution formulae. The Office for National Statistics has now released the Mid 2009 estimated populations. The reduction for Wirral since the census 2001 is greater than for any other metropolitan or unitary authority. If this is confirmed in the Census 2011 then the reduction in grant receivable could be significant.

4. **BALANCES**

- 4.1. The budget for 2010-11 includes the minimum recommended balances of £6.5m.
- 4.2. The financial out-turn for 2009-10 was reported to Cabinet on 24 June 2010 and showed an overspending of £1,385,000 offset by increased investment income of £1,185,000 and a contribution from the Collection Fund of £515,000 to produce a net surplus of £315,000.
- 4.3. The Government has announced that the Personal Care at Home scheme will not be proceeding. The revenue budget for 2010-11 will therefore be reduced by £2.6m with a reduction of £1.6m in Area Based Grant.
- 4.4. The Government announced on 10 June 2010 that there would be the following grant reductions for 2010-11:-

	£000
Area Based Grant	3,927
LAA Reward Grant	1,400
Local Authority Business Growth Incentive	<u>200</u>
	5,527

Cabinet on 22 July 2010 agreed that the reduced Area Based Grant will be matched by reduced expenditure in 2010-11.

- 4.5. The Insurance Fund Annual Report was presented to Cabinet on 24 June 2010 including the transfer of £2,471,000 to General Fund balances.
- 4.6. Cabinet on 24 June 2010 agreed that additional VAT of £240,000 recovered from HM Revenue and Customs should be placed in balances.
- 4.7. Cabinet on 26 August 2010 agreed to continue to provide free swimming after the withdrawal of the Government grant of £0.2m in 2010-11.

- 4.8. Cabinet on 2 September 2010 agreed to transfer £3.4m from the Insurance Fund to General Fund Balances following the actuarial valuation of the Insurance Fund.
- 4.9. The regular review of balances including reserves and provisions was presented to Cabinet on 9 December 2010 to transfer £1.2m to balances.
- 4.10. The budget for 2010-11 provides for pay awards of 1% totalling £1.7m. No pay award has yet been offered.
- 4.11. The Cabinet has not agreed to any projected overspendings in 2010-11

	£m
4.12. Opening Balances	6.5
Out-Turn 2009-10	0.3
Personal Care at Home	1.0
LAA Reward Grant	- 1.4
LABGI	- 0.2
Insurance Fund	5.9
VAT	0.2
Free Swimming Grant	- 0.2
Reserves & Provisions	<u>1.2</u>
	13.3

5. SAVINGS

- 5.1. Cabinet on 9 December 2010 agreed a number of savings for 2011-12

	£m
EVR/Voluntary Severance	24.3
Change programme	10.7
Consultation exercise	0.7
Expenditure previously funded by ABG	3.9

The detailed impact of these savings on individual budgets together with the cost of any necessary restructurings is now being assessed.

- 5.2. These savings formed part of a total package of £48m which included reductions to some previously identified increased requirements. The balance of the package of £48m consisted of:-

	£m
Reducing the provision for price inflation to zero in 2011-12 (paragraph 2.1.)	4.2
Reducing the increase in pensions contributions following the Actuarial review of the Pension Fund (paragraph 2.3)	1.4
Transfer of reserves and provisions to General Fund Balances (paragraph 4.9)	1.2
Reduction in Council Tax Discounts for long term empty properties (reflected in Collection Fund)	1.6

- 5.3. These savings absorb some savings previously agreed by the Cabinet. However, the following savings remain:
- a. Cabinet on 15 October 2009 agreed to the implementation of an integrated Human Resources IT system with initial projected savings of £254,000 for 2011-12, £220,000 for 2012-13, £100,000 for 2013-14 and £20,000 for 2014-15.
 - b. Cabinet on 22 February 2010 agreed to the creation of an integrated transport unit with projected savings of £130,000 in 2011-12, £340,000 in 2012-13 and £250,000 in 2013-14.
 - c. Cabinet on 15 April 2010 agreed to investment in family group conferencing to deliver savings of £70,000 in 2011-12 and £130,000 in 2012-13.
 - d. Cabinet on 25 November 2010 agreed the Insurance Fund Budget for 2011-12 with a reduced requirement of £0.6m.

6. FINANCIAL IMPLICATIONS

- 6.1. The assumptions outlined above are reflected in the budget projections in the Appendix.
- 6.2. The currently projected surplus for 2011-12 is £3.3m and the projected shortfall for 2012-13 is £26.5m.

7. STAFFING IMPLICATIONS

- 7.1. There are none arising directly from this report.

8. EQUAL OPPORTUNITY IMPLICATIONS

- 8.1. There are none arising directly from this report.

9. COMMUNITY SAFETY IMPLICATIONS

- 9.1. There are none arising directly from this report.

10. HUMAN RIGHTS IMPLICATIONS

- 10.1. There are none arising directly from this report.

11. LOCAL AGENDA 21 IMPLICATIONS

- 11.1. There are none arising directly from this report.

12. PLANNING IMPLICATIONS

- 12.1. There are none arising directly from this report.

13. MEMBER SUPPORT IMPLICATIONS

13.1. There are none arising directly from this report.

14. BACKGROUND PAPERS

14.1. Formula Grant Settlement 2010-11 – DCLG – January 2010
Estimates 2010-11 – March 2010
Budget – HM Treasury – March 2010 and June 2010
Formula Grant Distribution – DCLG – July 2010
Independent Public Service Pensions Commission Interim Report – October 2010
Spending Review - HM Treasury - October 2010
Medium Term Financial Strategy 2011-14 – November 2010
Provisional Local Government Finance Settlement 2011-13 – DCLG – December 2010

15. RECOMMENDATION

15.1. That the budget projections be kept under review.

IAN COLEMAN
DIRECTOR OF FINANCE.

FNCE/7/11

WIRRAL COUNCIL

BUDGET PROJECTIONS 2011-2013

	2011-12 £M	2012-13 £M
Base Budget	330.8	294.6
Increased Requirements		
Pay Inflation	1.0	1.0
Price Inflation	-	4.2
Capital Financing	2.3	1.9
Pension Fund	0.8	0.3
Waste Disposal	-1.0	1.4
Merseytravel	1.6	0.8
Private Finance Initiative	0.1	0.1
Benefits	2.4	2.4
Home Insulation	1.0	-
Guinea Gap	0.6	-
Leasowe Recreation Centre	0.6	-
Carbon Reduction Commitment	0.5	-
Swimming	0.3	-
Energy	0.3	-
Economy and Regeneration	2.1	-
Other Unavoidable Growth	1.0	1.0
Efficiency Investment	2.0	2.0
	<u>346.4</u>	<u>309.7</u>
Reduced Requirements		
Income Inflation	-1.0	-1.1
Benefits Subsidy	-2.2	-2.2
Working Neighbourhoods Fund	-9.3	
Adult Social Services Reform	-1.9	
Savings Agreed	<u>-40.7</u>	<u>-0.7</u>
	291.3	305.7
Resources		
Grants	158.8	144.7
Council Tax Grant	3.3	3.3
Council Tax	131.2	131.2
Collection Fund	<u>1.3</u>	<u>-</u>
Forecast Resources	294.6	279.2
(Shortfall)/Surplus	3.3	(26.5)

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