



Council Excellence Overview and Scrutiny Committee

Date:	Wednesday, 1 July 2009
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>

AGENDA

1. DECLARATIONS OF INTEREST/PARTY WHIP

Members are asked to consider whether they have personal or prejudicial interests in connection with any item(s) on this agenda and, if so, to declare them and state what they are.

Members are reminded that they should also declare, pursuant to paragraph 18 of the Overview and Scrutiny Procedure Rules, whether they are subject to a party whip in connection with any item(s) to be considered and, if so, to declare it and state the nature of the whipping arrangement.

2. MINUTES (Pages 1 - 22)

To receive the minutes of the following Overview and Scrutiny Committees –

- Community and Customer Engagement 8 April 2009
- Corporate Services 2 and 16 April 2009
- Finance and Best Value 24 March 2009

3. APPOINTMENT OF VICE-CHAIR

The Committee is requested to consider the appointment of a vice-chair for the ensuing municipal year.

4. TERMS OF REFERENCE (Pages 23 - 26)

Attached for information and guidance.

5. EQUALITY IMPACT ASSESSMENTS

Presentation by Jacqui Cross (Equality and Diversity Officer), Ged Smyth (NRAC Auditor) and Steve Talbot (Staff Development Manager)

Recognising People's Different Needs through the Use of Equality Impact Assessments

6. FINANCIAL MONITORING STATEMENT (Pages 27 - 30)

7. PROJECTED BUDGET 2010 - 2011 (Pages 31 - 36)

8. BUDGET PROJECTIONS 2011 - 2014 (Pages 37 - 40)

9. GENERAL FINANCIAL MATTERS (Pages 41 - 52)

10. MEMBERS FINANCE TRAINING (Pages 53 - 54)

11. RISK AND RETURN - ICELANDIC BANKS (Pages 55 - 62)

12. SCRUTINY WORK PROGRAMME

The views of the Committee are requested concerning topics to be included in this year's scrutiny work programme.

13. CO-OPTED MEMBERSHIP

All of the new overview and scrutiny committees are being asked to consider if they wish to extend or initiate co-opted membership.

14. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

The public may be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information.

RECOMMENDED –

That in accordance with section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part 1 of Schedule 12A to that Act.

15. COMPUTER EQUIPMENT MAINTENANCE (Pages 63 - 64)

16. SUN MICROSYSTEMS MAINTENANCE (Pages 65 - 68)

17. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR

COMMUNITY AND CUSTOMER ENGAGEMENT OVERVIEW AND SCRUTINY COMMITTEE

Wednesday, 8 April 2009

<u>Present:</u>	Councillor	C Meaden (Chair)	
	Councillors	A Pritchard S Quinn W Smith	P Gilchrist P Hayes
<u>Deputies</u>	Councillor	I Lewis (in place of C Povall)	
<u>Apologies</u>	Councillor	S Kelly	

33 DECLARATIONS OF INTEREST/PARTY WHIP

The members of the Committee were asked to consider whether they had a personal or prejudicial interest in connection with any item on the agenda and, if so, to declare it and to state the nature of such interest. They were reminded that they should also declare, pursuant to paragraph 18 of the Overview and Scrutiny Procedure Rules, whether they were subject to a party whip in connection with any item to be considered and, if so, to declare it and state the nature of the whipping arrangement.

Councillor A Pritchard declared a prejudicial interest in respect of minute 39 (Local Housing Allowance) by virtue of him being a private landlord.

Councillors Hayes and Lewis declared personal interests in respect of minute 39 (Local Housing Allowance) by virtue of their membership of the local Conservative Party organisation which was in receipt of monies as a landlord.

34 MINUTES

In respect of minute 29, Malcolm Flanagan, Head of Benefits, Revenues and Customer Services, informed the meeting that he would be happy to report to a future Overview and Scrutiny Committee on developments in all One-Stop Shops.

In respect of minute 30, Tracey Smith, Senior Community Engagement Officer, apologised to the Committee that with the departure of the Head of Policy, two departmental equality groups had not been invited to the meeting as originally intended.

Resolved - The minutes of the previous meeting, held on 4 February, 2009, be received as a correct record.

35 **YOU DECIDE - EVALUATION AND RECOMMENDATIONS**

The Deputy Chief Executive / Director of Corporate Services presented a report which had been considered by Cabinet on 19 March, 2009, reviewing the pilot of the 'You Decide' scheme.

The 'You Decide' process involved the allocation of funds via a form of participatory budgeting. The pilots had taken place across all the area forums. Findings indicated that this process benefited the community by enabling additional services to be delivered in local communities, by involving residents in decision making and by enabling residents to have a greater understanding of the costs of services and associated choices. It had also provided departments with an additional intelligence source to help understand local needs and deliver services accordingly.

Council on 2 March, 2009 had agreed for the funding to be maintained at £260,000 which was £20,000 per Area Forum with the continuation of an additional £20,000 each for the Youth Parliament and the Older People's Parliament.

Responding to Members' comments Tracey Smith informed the meeting that the Area Forum Chairs' Group would be involved in discussions on the services for sale on the new questionnaire for 2009/10 allocation of 'You Decide'. Consultation would take place from May to August, 2009 with a report going to Cabinet in September. There would be feedback to the community to ensure residents were aware of the additional services provided as a result of 'You Decide'.

Resolved – That the report be noted.

36 **COMPREHENSIVE PERFORMANCE ASSESSMENT 2008 - BENEFITS SERVICE**

The Director of Finance presented a report which outlined the Comprehensive Performance Assessment (CPA) review process for the Benefits Service for 2008. The Benefits Service had been assessed as 'Excellent' with a score of 4. This was the final CPA report as significant changes were made to the inspection process from April 2008 transferring responsibility from the Benefit Fraud Inspectorate to the Audit Commission including the introduction of Key Lines of Enquiry (KLOE). This was reputed to be a much 'harder test' and distinctly different in terms of inspection focus, the Audit Commission had already highlighted the degree of change and likely impact this change was likely to have on inspection outcomes.

Resolved – That the report be noted.

37 **FINANCE DEPARTMENT PLAN 2009/10**

The Director of Finance submitted the Finance Department Plan for 2009/10 which set out how the Finance Department would contribute to the overall delivery of Council aims and priorities in the context of the Corporate Plan.

The report set out the strategic direction of the Finance Department and provided the links to the Corporate Plan and other critical plans, identifying the targets, indicators and significant projects which would determine the demands upon resources.

Malcolm Flanagan, Head of Benefits, Revenues and Customer Services, responded to comments from Members on a variety of issues in the plan, including performance indicators, savings targets and risk management.

Resolved – That the report be noted.

38 **FREEDOM OF INFORMATION (FOI) REQUESTS**

The Director of Finance presented a report which detailed the processing and the nature of Freedom of Information requests received by the Council.

The number of requests had increased over the last 4 years from 135 in 2005 to 538 in 2008 and as at 7 April, 2009 there had been 373. Requests reflected both topical and specific issues for the Borough in which local people were interested such as the Strategic Asset Review, salaries of senior staff, Councillors' expenses and Tranmere Rovers Football Club Sponsorship; and more global issues such as safeguarding children, assaults in schools and lists of empty properties.

There was scope within the legislation to refuse information to requestors as long as there was a legal exemption to do so. There was additional scope within the legislation to refuse requestors who became repeated or vexatious; Wirral had issued a refusal notice to two requestors since the legislation came into force.

Responding to Members' comments, Jane Corrin, Information Manager, explained what vexatious requests there had been and the circumstances in which the Corporate Marketing Team were given advance notice of FOI requests.

Members suggested that it would be useful to have a breakdown of requests and this could be monitored by the appropriate future overview and scrutiny committee.

Resolved – That the report be noted.

39 **LOCAL HOUSING ALLOWANCE**

(Councillor Pritchard, having previously declared a prejudicial interest, left the meeting and took no part in the discussion regarding this matter.)

The Director of Finance presented a report updating the Committee on the Local Housing Allowance (LHA) which had commenced nationally on 1 April 2008. The scheme was being successfully administered at Wirral and had confirmed the view of practitioners nationally that, contrary to the Department for Work and Pensions' (DWP) initial view, the scheme was more complex to administer than originally anticipated.

Malcolm Flanagan, Head of Benefits, Revenues and Customer Services, responded to comments from Members on the operation of LHA on Wirral.

Resolved – That the report be noted.

40 **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

Responding to a comment from Councillor Pritchard, Malcolm Flanagan, Head of Benefits, Revenues and Customer Services, said that he would take up the issue of answer phones for Councillors with IT services.

As it was the last meeting of the municipal year the Chair thanked all the Members and officers for their contributions and work over the past year.

CORPORATE SERVICES OVERVIEW AND SCRUTINY COMMITTEE

Thursday, 2 April 2009

Present: Councillor L Fraser (Chair)

Councillors C Teggin P Southwood
J Crabtree J Keeley
K Wood

Deputies Councillors H Smith (in place of C Meaden)

52 DECLARATIONS OF INTEREST/PARTY WHIP

Members were asked to consider whether they had personal or prejudicial interests in connection with any item(s) on this agenda and, if so, to declare them and state what they were. Members were reminded that they should also declare, pursuant to paragraph 18 of the Overview and Scrutiny Procedure Rules, whether they were subject to a party whip in connection with any item(s) to be considered and, if so, to declare it and state the nature of the whipping arrangement.

No such declarations were made.

53 MINUTES

Members were requested to receive the minutes of the meeting of the Corporate Services Overview and Scrutiny Committee held on 5 March, 2009.

The Chair suggested that in respect of minute 51, third paragraph of the preamble, the first sentence be moved so it becomes the second sentence, the paragraph would then start, "A Member suggested....."

Resolved – That the minutes of the meeting held on 5 March, 2009 be approved as a correct record, subject to the amendment of minute 51.

54 USE OF POWERS UNDER THE REGULATION OF INVESTIGATORY POWERS ACT (RIPA)

Following the Committee's request at its last meeting (minute 51 refers) for a report on the Regulation of Investigatory Powers Act, the Director of Law, HR and Asset Management submitted a report, which had been considered by the Chief Officer's Management Team, Standards and Audit and Risk Management Committees.

At the request of the Chair, an amended version of the report, which was being considered by Cabinet on 9 April, was circulated to the Committee. The Chair stated her unhappiness with the report in that the appendices were confusingly numbered and the report was not in plainer English. She suggested that the meeting could be

adjourned if the Committee so desired but the Committee agreed that the meeting should continue.

The Director apologised for any confusion caused and stated that he was happy to take on board any constructive criticism. An amended version of the report had been circulated to the Cabinet which took account of comments made by both the Standards and Audit and Risk Management Committees at their meetings earlier in the week.

The Director then explained the contents of the report. The Regulation of Investigatory Powers Act 2000 ("RIPA") governed how public bodies used surveillance methods. Wirral Council, like other local authorities might use directed surveillance where doing so was in the public interest for the purpose of preventing or detecting crime or preventing disorder.

The Office of the Surveillance Commissioner ("OSC") was responsible for overseeing the operation of RIPA. The Council had to account to the OSC on an annual basis on its use of RIPA and had also been the subject of 2 inspections by the OSC in July 2003 and July 2007. The Council's use of RIPA was also the subject of a recent review by the Internal Audit Section. One of the recommendations of that review was that the Council's Policy and Procedures on the use of RIPA be updated. The Internal Audit review was appended to the revised report.

There had been much debate in the last 12 months around the use of surveillance powers by local authorities. The Home Office had announced an intention to consult on the use of RIPA powers by public authorities in early 2009. Unfortunately there had been a large degree of misreporting of the subject of surveillance in the media. The Home Office had published on its website a document on some of the misconceptions and this was appended to the report.

The Council had used directed surveillance to support its enforcement activity since the passing of RIPA and, in the year 2007/8, the Council had granted 45 authorisations. These related to cases investigated by the Wirral Anti-social Behaviour Team (36) and the Trading Standards team (9). The use of these powers has assisted in legal action to tackle rogue traders and to obtain court orders to tackle anti-social behaviour. The Council had used surveillance evidence in numerous court actions and its use had never been challenged. In some cases surveillance evidence obtained by the Council under RIPA had been used by the police to secure criminal convictions.

The last OSC inspection report had set out a number of recommendations and the Director outlined the actions taken to implement each one. The Internal Audit review had also identified a number of areas for improvement and an Action Plan had been agreed which also identified the need for the Council's policy and procedure on the use of powers under RIPA to be updated. The draft policy would be considered by Cabinet on 9 April, 2009.

Responding to comments from members, the Director said that the guidance from the OSC was that authorising officers, of whom there were only 7, should be of a reasonably senior level and he would be happy to clarify the seniority of those listed from the Department of Regeneration. He would also circulate to the Committee the dates of appointment and their most recent training.

Test purchasing was an overt rather than covert method of surveillance so would not be covered by RIPA but there was of course a need to make sure juveniles used for test purchasing were not put at risk. In respect of dog fouling the Director stated that it would go against standard practice to use covert surveillance as this was a matter for dog wardens to use overt rather than covert observation.

Members suggested the need to look at the actual outcome of covert surveillance with figures on the number of prosecutions and convictions and the numbers for the year 2008/09. These figures should also be seen alongside those for the Council's statistical neighbours. The Director stated that he would share with the Committee the annual report sent to the OSC including the past year's figures.

A member suggested the need for an additional layer of accountability with a senior councillor signing off any authorisations.

It was moved by Councillor Mrs Wood and seconded by Councillor Keeley, that –

“Cabinet be requested to consider the findings of the Internal Audit report following on from the findings of the OSC report and their recommendations and findings be pursued and implemented as a matter of urgency.”

The motion was put and carried (7:0).

It was moved by Councillor Teggins and seconded by Councillor Mrs Wood, that –

“A report be brought to this, or any replacement, scrutiny committee, on an annual basis so that the committee may monitor the use of the RIPA powers and ensure their responsible and proportional application. The report, which would also inform COMT, to detail:

- Any changes to systems and processes are in place in this authority to monitor and regulate and approve the use of RIPA powers.
- Any changes to specific RIPA powers this authority employs when conducting any investigations.
- Those members of staff in this authority who have the power to grant authorisation for use of RIPA.
- The grades of the staff who are able to authorise the use of RIPA.
- The grades of the staff who are able to apply for the use of RIPA.
- Confirmation of staff training to ensure staff involved with RIPA are current in their practices.
- Explanation of the types of crimes for which this authority has authorised the use of RIPA powers for investigations in the year just ended and the year before that for comparison.
- The outcome of these investigations.
- The number of times the use of RIPA power was authorised by this authority in the year just ended and the year before that for comparison.
- Comparative figures for statistical neighbour authorities.”

The motion was put and carried (7:0).

It was moved by Councillor Keeley and seconded by Councillor Mrs Wood, that –

“This committee recommends to cabinet that:

Any request to undertake RIPA surveillance, after being approved by the authorising officer, must be signed off by an appropriate committee. Councillors would have the freedom to reject any application if they think it appropriate. This will provide democratic accountability, whilst recognising that the decision on whether to initiate surveillance should be made by trained professionals.

Standard existing provisions on councillors declaring prejudicial interests could be applied to ensure that councillors do not have a conflict of interest in any surveillance request.”

The motion was put and lost (3:4).

Resolved – That –

(1) Cabinet be requested to consider the findings of the Internal Audit report following on from the findings of the OSC report and their recommendations and findings be pursued and implemented as a matter of urgency.

(2) a report be brought to this, or any replacement, scrutiny committee, on an annual basis so that the committee may monitor the use of the RIPA powers and ensure their responsible and proportional application. The report, which would also inform COMT, to detail:

- **Any changes to systems and processes are in place in this authority to monitor and regulate and approve the use of RIPA powers.**
- **Any changes to specific RIPA powers this authority employs when conducting any investigations.**
- **Those members of staff in this authority who have the power to grant authorisation for use of RIPA.**
- **The grades of the staff who are able to authorise the use of RIPA.**
- **The grades of the staff who are able to apply for the use of RIPA.**
- **Confirmation of staff training to ensure staff involved with RIPA are current in their practices.**
- **Explanation of the types of crimes for which this authority has authorised the use of RIPA powers for investigations in the year just ended and the year before that for comparison.**
- **The outcome of these investigations.**
- **The number of times the use of RIPA power was authorised by this authority in the year just ended and the year before that for comparison.**
- **Comparative figures for statistical neighbour authorities.**

55 **BUILDING MAINTENANCE**

Following the Committee’s request at its last meeting (minute 51 refers) for a report on building maintenance, the Director of Law, HR and Asset Management submitted a report on the current situation regarding the repair and maintenance of the Council’s building stock.

Ian Brand, Head of Asset Management, introduced the report and explained the figures in the appendix including the indicators A and B and the definitions of condition categories and priority levels. He apologised that no explanation of the indicators had been provided.

At its meeting on 19 March 2009 (minute 408 refers) the Cabinet had received a report regarding Property Performance Management. That report, in an appendix, had advised that the number of buildings surveyed had been increased from 148 in 2007/08 to 387 in 2008/09. This figure did not include any of the schools estate. The total maintenance backlog, in respect of structural elements only (not mechanical and electrical) was now approximately £5.8 million. As a rule of thumb guide, where £6 of expenditure was needed on structural repairs, a further £4 was likely to be required to address mechanical and electrical repairs.

In the corresponding report to Cabinet on 13 March 2008, the total maintenance backlog figure, including M & E costs, was estimated to be £9.89 million. There were only 14 more properties to be surveyed and once that information was included, the figures now reported would confirm this estimate, based on more detailed and accurate information.

The Chair expressed her dissatisfaction with the report in its lack of clarity and with the inaccuracies in the appendix.

The Director stated that a re-written report would be circulated to the Committee members by the end of next week. He informed the Committee that an annual property maintenance plan would be considered by Cabinet in June.

Responding to further comments, the Director clarified that the figure of 387 buildings surveyed in 2008/09 was a cumulative total.

On a motion by Councillor Mrs Wood, seconded by Councillor Smith, it was -

Resolved – That this Committee recognises that a planned maintenance report would be submitted to Cabinet in June and a report be brought to this or its equivalent scrutiny committee in June also.

56 ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR

As it was the last ordinary meeting of the municipal year, the Chair thanked all the members of the Committee and the officers for their work over the past year.

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CORPORATE SERVICES OVERVIEW AND SCRUTINY COMMITTEE

Thursday, 16 April 2009

<u>Present:</u>	Councillor	L Fraser (Chair)	
	Councillors	C Meaden	K Wood
		C Teggin	P Southwood
		J Crabtree	J Keeley
<u>Apologies</u>	Councillor	S Holbrook	

57 CALL-IN OF CABINET MINUTE 407 (19/3/09) - ASSET MANAGEMENT UPDATE

At its meeting on 19 March, 2009 Cabinet considered a report from the Director of Law, HR and Asset Management which sought approval of new Policies relating to Disposals and Community Asset Transfer; and authorised officers to progress Disposals and Community Transfers, in accordance with these policies.

The Cabinet (minute 407) resolved –

“That

(1) the progression of the Office Accommodation Strategy be endorsed;

(2) the new Policies on Disposals and Community Asset Transfer (subject to transfers of community centres being offered first to established and viable Joint Management Committees) be approved and the Director of Law, HR and Asset Management be instructed to progress their objectives;

(3) recommendations (1) and (2) in the addendum to the report in relation to applications for use of the Community Fund to support asset transfer be approved as set out below:

(a) The Community Fund be used to support community asset transfer by:

meeting costs of essential repairs to make buildings fit for purpose at the time of transfer. The nature and cost of such repairs will be determined by the Council's Head of Asset Management as part of the transfer process; and/or contributing interim support towards running costs for up to two years where an organisation can demonstrate that at the end of that period it will have a sustainable business plan.

(b) A joint application be made to the Fund by the Council and the community group to which an asset is being transferred as part of the second stage of the application process set out in the Community Asset Transfer Policy.

(4) the Director of Law, HR and Asset Management be nominated as the new Council representative on the joint Working Group administering the Community Fund, to replace the departing Head of Legal and Member Services.

(5) the Director of Finance works towards amalgamating the existing budgets for building complexes into one budget, to become the responsibility of the Director of Law, HR and Asset Management.”

Cabinet minute 407 was called in by Councillors Hale, Green, Anderson, Watt and Rennie, on the following grounds:

“It is a recorded fact that the Wirral Council Conservative Group is the largest Group on the Council and that it has pledged publicly that it will re-open any libraries, leisure centres, community centres and village halls that are closed by the Labour / Liberal Democrat administration as a result of the SAR.

We therefore believe that the Council should make provision within this policy to ensure that any buildings disposed of as a result of the SAR can be taken back into Council ownership or re-utilised by the Council for a purpose decided by the Council at a future date.”

58 CHAIR'S OPENING REMARKS

The Chair welcomed everybody to the meeting, made introductions and explained the procedure which the meeting would follow. The Cabinet Member was unfortunately unable to be present due to a long standing work commitment. As there were only two Members and one Officer to address the committee she suggested that there would be no need for summings up.

59 DECLARATIONS OF INTEREST / PARTY WHIP

Members were asked to consider whether they had personal or prejudicial interests in connection with the item on the agenda and, if so, to declare them and state what they were.

Members were reminded that they should also declare, pursuant to paragraph 18 of the Overview and Scrutiny Procedure Rules, whether they were subject to a party whip in connection with the item to be considered and, if so, to declare it and state the nature of the whipping arrangement.

Councillor Mrs K Wood declared a personal interest as a Governor of St George's Primary School which was in close proximity to Wallasey Village Library and stated that she had informed the Director of Law, HR and Asset Management that she was currently not attending Governor's meetings where the issue of the library was to be discussed.

The Chair made it clear that neither she nor her two Conservative colleagues on the Committee were subject to a party whip on the matter.

60 EXPLANATION OF THE CALL-IN BY LEAD SIGNATORY

Councillor Hale, as lead signatory, addressed the Committee on the call-in. He expressed concern that the views of 60,000 Wirral residents who had signed petitions had been almost totally ignored and that should there be a change of administration in May, 2010, the Conservative group would want to reverse the

closures of libraries, leisure centres, community centres and village halls. Without provision for a 'buy-back' clause, capital, which could be used for the benefit of all Wirral residents, would need to be used to take back buildings into Council control.

He also outlined concerns at the proposed methods of disposal and that the public would not be kept informed of what was happening with buildings which were closed. He asked that the Committee support the call-in request.

61 EVIDENCE FROM CABINET MEMBER'S WITNESSES

Bill Norman, Director of Law, HR and Asset Management,

The Director, as author of the report, explained the reasoning behind it and stated that one of the two principle purposes of the Strategic Asset Review was to contribute towards the Council achieving a sustainable and balanced budget. With regard to library provision, there would be fewer but better facilities. In respect of community centres they could remain open with the responsibility for their running costs being transferred to community groups. The asset transfer policy was intended to encourage community groups to come forward to run centres.

The Director emphasised that any buildings to be disposed of would be publicly advertised.

Responding to questions from the committee, the Director stated that it would not be normal to incorporate a 'buy-back' provision into an asset disposal policy as community groups were less likely to be interested in acquiring a building with such a proviso attached. However, the Community Asset Transfer (CAT) Policy did include a provision for community groups to hand back a building, without any payment or penalty, if the community group no longer wished to manage the facility.

The intention of the CAT policy was to encourage community groups to take on ownership of and responsibility for Council buildings. This had been seen in a number of examples across the country to energise communities and be beneficial to local people.

It was very important that the Council kept under review its asset base as retaining more properties than the Council needed would be a drain on the public purse. The Director did recognise the differing views held and that not everyone shared this judgement on fewer but better facilities.

With regard to Byrne Avenue Baths, there were a number of lessons to be learnt from that asset transfer. Where an asset was transferred it would be done in a way which was likely to be sustainable. The CAT policy set out how the Council would repair buildings before transferring them, but the Council would also look to receive a viable business plan which would show that a community group had sufficient revenue funding to maintain the property after transfer.

The financial implications of incorporating a 'buy-back' clause would have a serious deterrent effect on the transfer of assets which could lead to the loss of more buildings from community use. If buildings identified for CAT did not transfer, they would close and be disposed of as the Council would still need to achieve a sustainable and balanced budget. The democratic process was of paramount

importance, however, in 20 years' experience of local government, the Director, had not encountered policies being made with built in provisions to reflect a possible future change of administration.

The Director stated that he was not familiar with the Joseph Rowntree report into Community Asset Transfers. However, he was familiar with the Quirk Review which had identified a number of potential risks associated with CAT (as did the Council's own CAT policy) as well as giving examples of highly successful asset transfers that had greatly benefited local people.

Councillor S Foulkes – Leader of the Council

Councillor Foulkes stated that the call-in was overtly political. It would be dangerous and unprecedented to have policies set by one administration incorporating 'get-out' clauses for a possible future administration. The Strategic Asset Review had been through a consultation process, subject to several scrutiny committees and endorsed by the Council. The policies detailed in the report were a means to carry out the decision of the Council.

Councillors could help local groups in working with the community to take control of premises in making them a success which would be a form of very active citizenship.

The Chair disputed the assertion that the call-in was overtly political as it was open to all groups to call a Cabinet decision in.

Responding to questions from the committee, Councillor Foulkes stated that in respect of the disposal policy there was a well defined scheme of delegation including delegation to the Cabinet Member for Corporate Services and he expressed confidence in the variety of methods of disposal.

He suggested that the fact that Byrne Avenue Baths had remained open for a further 12 years following its transfer from the Council could be deemed a success. The Community Fund was available to meet costs of essential repairs to make buildings fit for purpose at the time of transfer and could contribute interim support towards running costs for up to two years. If there were people and community groups doing a good job in running a facility then the Council didn't have to run every building. Freehold and leasing arrangements were mechanisms to give control on future use.

62 COMMITTEE DEBATE

Councillor Teggins stated that there were two conflicting strands in the wording of the call-in which referred to specific types of buildings, i.e. libraries, leisure centres etc and 'any buildings'. He queried the scale of the costs of the proposal in the call-in and how this might be resourced.

With regard to the Strategic Asset Review the Chair referred to the fact that a legal budget had been proposed by the Conservative group but that this had been ignored.

63 COMMITTEE DECISION

It was moved by Councillor Fraser and seconded by Councillor Mrs Wood, that –

“(1) No further action be taken until a report on the lessons learned from previous unsuccessful transfers is produced.

(2) This Committee believes that if the Cabinet minute is endorsed as published, there should be in place a clause that allows a future administration to bring the Council buildings and services back into use, protecting the wishes of the overwhelming majority of Wirral residents. Any attempt to bind future administrations would be undemocratic and wholly inappropriate.

(3) Once an asset has been declared surplus to requirements and whether it is to be disposed of by public auction or advertised, as set out in appendix 1 to the report, that method of disposal be notified to the ward councillors and the relevant scrutiny committee before disposal is authorised.

(4) Consequently the matter be referred back to the Cabinet.”

It was moved as an amendment by Councillor Teggins and seconded by Councillor Meaden, that –

“It is unacceptable to expect that the will of this Council, democratically arrived at, should deliberately be subverted by political campaigning pledges made by an opposition group. If the Conservative Group wish to make election pledges that is their prerogative, but to expect the Council to undermine its own policies to accommodate their pledges is outrageous and is resisted by this committee. Consequently, this committee supports the decision made by Cabinet and reported in minute 407.”

The amendment was put and carried (4:3).

Resolved (4:3) – That it is unacceptable to expect that the will of this Council, democratically arrived at, should deliberately be subverted by political campaigning pledges made by an opposition group. If the Conservative Group wish to make election pledges that is their prerogative, but to expect the Council to undermine its own policies to accommodate their pledges is outrageous and is resisted by this committee. Consequently, this committee supports the decision made by Cabinet and reported in minute 407.

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FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

Tuesday, 24 March 2009

<u>Present:</u>	Councillor	P Gilchrist (Chair)	
	Councillors	J George D Knowles D Elderton	J Hale R Wilkins
<u>Deputies</u>	Councillor	L Rowlands (In place of S Moseley)	

59 DECLARATIONS OF INTEREST/PARTY WHIP

Members were asked to consider whether they had personal or prejudicial interests in connection with any item(s) on this agenda and, if so, to declare them and state what they were.

Members were reminded that they should also declare, pursuant to paragraph 18 of the Overview and Scrutiny Procedure Rules, whether they were subject to a party whip in connection with any item(s) to be considered and, if so, to declare it and state the nature of the whipping arrangement.

No such declarations were made.

60 MINUTES

The Director of Law, HR and Asset Management presented the minutes of the meetings held on 21 January and 2 February 2009. The Chair referred to minute 52 (21 January 2009) (Change Programme), and specifically to the need to make progress with the Human Capital Management project, in the light of the recent departure from Wirral of the Head of Human Resources. The Director of Finance indicated that a seminar for senior members of the Authority would take place during April and a report would be presented to a subsequent meeting of the Cabinet.

Resolved – That the report be noted and the minutes of the meetings held on 21 January and 2 February 2009 be approved.

61 FINANCIAL MONITORING STATEMENT

The Director of Finance presented a summary in tabular format of the current position of the revenue accounts and General Fund balances. It included the composition of the original 2008/2009 budget by department including agreed savings and policy options, which now included the Department of Law, Human Resources and Asset Management; monitoring against the 2008/2009 budget including the financial implications of any Cabinet decisions; anticipated variances

against the original budget; and an explanation of variances and areas identified as requiring further attention.

The monitoring statement was based upon the information provided within departmental financial monitoring reports and was updated and submitted to each meeting of this Committee. It presented the position as at 31 January and the Director circulated an updated statement as at 28 February 2009. He set out the areas where financial pressures had been identified and indicated potential underspends within Finance and Treasury Management. He commented also upon decisions taken by the Cabinet and reported that the impact of the variations, if not contained, would result in balances of £8.5m at 31 March 2009. This was an improvement on the January position due to the impact of energy contracts previously reported to the Cabinet (minute 362 (5 February 2009) refers).

Resolved – That the report be noted.

62 GENERAL FINANCIAL MATTERS

The Director of Finance provided information on the treasury management position, monitoring of the prudential indicators, the position regarding Council Tax, National Non Domestic Rate, general debt and cash income collection and the payment of Benefits. In relation to the current economic climate, he reported that the Bank of England quarterly inflation report projected a bleak outlook for growth of the UK economy and highlighted the increasing risk of the recession being deeper and longer than was first anticipated. Inflation figures continued their descent with the official measure of inflation, CPI, falling to 3.0% and RPI inflation down to just 0.1% for January 2009. How low the figures would fall was unclear but the Bank of England (BoE) was predicting that CPI inflation would fall significantly below its target of 2%.

He outlined the rate of return from investments and set out the total borrowings of the Council as at 28 February 2009. Because of the poor interest rates currently available, the Director reported that a reduction in investments had reduced the need to undertake new long term borrowing in order to temporarily fund capital expenditure. However, the strategy could only be adopted in the short term as a reaction to complex and unique market conditions.

The Director referred also to the current situation with regard to revenues collection and he provided an explanation with regard to the improved situation in Council Tax collection and the reduced collection rate in Business Rates. At the request of the Chair, he also provided income charts in relation to golf courses, sports centres, pay and display parking and parking penalty notices.

Resolved – That the report be noted.

63 PROJECTED BUDGET 2010/2011

The Director of Finance presented the projected budget for 2010-2011, which would be the final year of the Comprehensive Spending Review (CSR) 2007. He commented that the next CSR was scheduled for 2010 and would outline the Governments expenditure plans for 2011 to 2014. However, the extent of the support that the Government would need to provide to the economy in a global recession

could result in a cash freeze in grants for the period of the next CSR. He set out potential variations that had been identified for 2010-2011 and other developments which were likely to impact on the financial position of the authority. In response to questions from members, the Director provided an explanation with regard to the projected increase in the Waste Disposal levy and to an increase in PFI payments

The Director reported that the projected budget for 2010-2011 was compiled from the base budget for 2009-2010 approved by Council on 2 March 2009, the Medium Term Financial Strategy 2009-2012 agreed by the Cabinet on 23 July 2008, and was updated for the issues outlined in his report. The forecast expenditure was £341.8m, with forecast resources of £330.3m. The gap would need to be bridged by a combination of savings and/or increased Council Tax. He had assumed an annual Council Tax increase of 4% and the efficiency requirement, in line with the three year efficiency plan would produce a target of £5.6m. He reported also that part of the Efficiency Investment Budget for 2010-2011 would again be used to fund teams working on the delivery of the corporate Change Programme. The Chair commented that it was essential that the £2.7m identified to fund the Change Programme was put to effective use.

A member referred to the increase in balances to a level over and above that recommended by the District Auditor and expressed the view that the high level of balances would be used to keep Council Tax increases to a low level prior to the local elections in 2010.

Resolved – That the projected budget for 2010-2011 be updated and reported regularly to the Cabinet.

64 **TRANSFORMING ADULT SOCIAL SERVICES - ACHIEVING A STABILISED AND SUSTAINABLE BUDGET**

Further to minute 54 (21 January 2009) the Director of Adult Social Services provided an update in relation to money owed to the Council from historic Primary Care Trust (PCT) cases. He reported that in 2005, the Department of Adult Social Services (DASS) and the then two Primary Care Trusts agreed a set of local protocols for the joint resourcing of packages of care, where people had health and social care needs. The protocols were developed in recognition by both DASS and the PCTs that a significant number of people had needs over and above those which a local authority would ordinarily be obliged to meet. Key to the local agreement was that retrospective consideration would be given in instances to a pre determined group of individuals with learning disabilities, where there was clear evidence of health needs. Of 31 individuals, 4 were in placements outside Wirral. It was those 4 cases that were in dispute and he commented that some of the debt dated back to 2000/2001.

Working within the guidelines of “The Responsible Commissioner” the two Wirral PCTs determined that responsibility for the cases should be taken by the host authority; those authorities being in Yorkshire, North Wales and Kent. Each of the host authorities were contacted in respect of the individuals and, in each case, declined the responsibility of funding the care. The value of the outstanding debt was approximately £1.7m. In an attempt to expedite the process, the Director wrote to the Strategic Health Authority (SHA), requesting its intervention and resolution of the long standing matter. Arbitration was passed by the SHA to Wirral PCT who had expressed the view that ‘there is no evidence pre-2005 that these individuals had

qualifying health needs and that there is no prospect of the local PCTs accepting liability'. The Director therefore wrote to the SHA and requested formal arbitration over the matter. The urgency of the conclusion of the matter had been stressed as it had a direct impact on the financial accounts of the Council. At this stage, a response was still awaited.

Resolved – That the thanks of the Committee be accorded to the officers for the continuing work being undertaken to bring this matter to an appropriate conclusion.

65 **FINANCIAL AND PERFORMANCE MONITORING**

The Chief Executive presented one of a series of reports submitted throughout the year presenting an overview of the performance of the Council in delivering the Vision for Wirral as set out in the Corporate Plan and was for the quarter-ended 31 December 2008. The report had been presented to the Cabinet on 19 March 2009 (minute 410 refers) and having noted the report, the Cabinet agreed upon the need to present information in a concise and timely fashion in a manner easily accessible to members. It therefore asked for a short and to the point report to be placed in the electronic library within two weeks of the end of the quarter and a presentation made by the Director of Corporate Services to the next available Cabinet meeting.

Resolved – That the report be noted and the views expressed by the Cabinet in relation to future financial and performance monitoring reports be supported.

66 **FINANCE DEPARTMENT PLAN 2009/2010**

The Director of Finance presented the Departmental Plan 2009/2010, which set out how the Finance Department would contribute to the overall delivery of Council aims and priorities during 2009/2010, in the context of the Corporate Plan. The document informed the annual budgeting process and provided the basis for detailed service plans which identified how the various divisions and sections would deliver the aims and objectives of the Department. He commented that this in turn would flow through into the individual team members' Key Issue Exchange process.

Resolved – That the Finance Department Plan 2009/2010 be noted.

67 **COMPREHENSIVE PERFORMANCE ASSESSMENT 2008 - BENEFITS SERVICE**

The Director of Finance outlined the Comprehensive Performance Assessment (CPA) review process for the Benefits Service for 2008. This was the final CPA report and the Director was pleased to report that it had again rated the Benefits Service as Excellent with a score of 4. Significant changes were made to the inspection process from April 2008, transferring responsibility from the Benefit Fraud Inspectorate to the Audit Commission including the introduction of Key Lines of Enquiry (KLOE).

Resolved – That the report be noted and the congratulations of the Committee for the excellent rating be accorded to those members of staff working in the Benefits Service.

68 **COMPREHENSIVE PERFORMANCE ASSESSMENT (CPA) USE OF RESOURCES 2008**

The Director of Finance reported upon the Comprehensive Performance Assessment (CPA) Use of Resources (UoR) assessment for 2008, which had recently been released by the Audit Commission. It was the last assessment to be made under the CPA framework and related to the 2007/2008 financial year. The Director was pleased to report that as a result of improvement during the assessment period, Wirral had scored a level three, an increase on the 2007 overall score of 2. He provided an analysis of the scores over the key lines of enquiry (KLOE) and he set out future work to be undertaken to secure continuous improvement.

From 2009, the UoR would be assessed under the Comprehensive Area Assessment (CAA) and previous reports to the Cabinet had outlined the changes in the UoR assessment framework in accordance with the move to the CAA. This would be a harder test and would involve a wider view of resources reflecting people, IT, data and environmental resources as well as financial resources. He commented that it was clear that the arrangements would present authorities with increased challenges to retain their current scores.

Resolved –

(1) That the 2008 Use of Resources assessment be noted.

(2) That regular reports be presented on progress on the 2009 Use of Resources assessment.

(3) That the thanks of the Committee be accorded to those officers involved in the securing the improved UoR rating.

69 **COMPREHENSIVE AREA ASSESSMENT (CAA) USE OF RESOURCES**

The Director of Finance provided details of the Audit Commission project brief for the Comprehensive Area Assessment (CAA) Use of Resources (UoR) 2009 assessment which covered 2008/2009. He commented that under the CAA, the UoR assessment had value for money at its centre and comprised three themes further divided into 10 key lines of enquiry (KLOE). The harder test principle would apply with authorities having to improve in order to retain the same level. The new standard scores were also likely to restrict the number of authorities achieving four stars. He set out a number of developments within the new UoR that were highlighted by the project brief and he indicated that the audit approach seemed to provide for flexibility and for the assessment to be based on a rounded view of achievements. However, it could also involve a greater degree of subjective judgement from auditors.

In response to comments from members, the Director assured members that the key contacts list of officers contained within the Project Brief would be updated to take into account recent departures from the authority.

Resolved –

(1) That the 2009 Use of Resources Project brief be noted.

(2) That regular reports be prepared on progress on the Use of Resources.

70 **CORPORATE RISK AND INSURANCE MANAGEMENT**

The Director of Finance reported upon recent progress made against the objectives for Corporate Risk and Insurance Management and he set out anticipated developments in the coming months.

Resolved – That the report be noted and further update reports be presented to the appropriate Scrutiny Committee in the coming municipal year.

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

In support of Objective 5 of the Corporate Plan, which is:

to create an excellent council, and in particular to:

- ***improve the use of the Council's land and assets;***
- ***maintain a sustainable and stable budget, providing value for money;***
- ***improve the Council's budgeting process to fully reflect its priorities,***

the Overview and Scrutiny Committee will

(i) review and/or scrutinise decisions made or actions taken in connection with the discharge of the Council's functions;

(ii) make reports and/or recommendations to the Council and/or the Cabinet and/or any joint or area committee in connection with any policy or the discharge of any functions;

(iii) consider any matter affecting the area or its inhabitants; and

(iv) exercise the right to call in, for reconsideration, decisions made but not yet implemented by the Executive;

within the following terms of reference of the Cabinet portfolio(s) indicated:

Community and Customer Engagement

(1) Development of the Council's approach to Community engagement and to build community capacity.

(2) The Council's Area Forum network.

(3) Initiatives in the wider community that will increase the understanding of the democratic process, and reduce alienation and apathy.

(4) The Council's Customer Access Strategy and for ensuring that it takes full account of the needs of hard to reach people.

(5) The Council's compliance with the requirements of the Freedom of Information Act.

(6) Grants and loans to voluntary and community organisations.

(7) Contributing to the development and operation of Wirral's community Legal Service.

(8) The following areas:

- mayoralty and civic ceremonial
- hospitality
- town twinning
- registration of births, marriages and deaths
- maintenance of memorials
- membership of outside bodies.

- (9) The Council's Communication Strategy and public relations.
- (10) Equality and diversity.

Corporate Resources

- (11) The development, implementation and review of the Council's arrangements for ensuring effective use of resources including meeting the requirements of the Audit Commission's Use of Resources Assessment.
- (12) Financial monitoring, including standing orders and financial regulations.
- (13) Financial propriety.
- (14) Procurement compliance and contract compliance within the Authority.
- (15) Restrictive and selective tendering (other than civil engineering).
- (16) Where it is not a specified responsibility of the Employment and Appointments Committee, personnel issues including employee development and training, equal opportunities in employment and service delivery, [health and safety](#), disciplinary and grievance procedures and recruitment.
- (17) The provision of legal and administrative services to the authority; and the Coroner's Service.
- (18) The preparation, maintenance and review of an overall strategy for the management, use and disposal of all Council-owned land property (including the preparation of the Asset Management Plan).
- (19) Land issues including:
 - acquisition, disposal and appropriation of all land and property;
 - provision and management of administrative and civic offices;
 - commercial development and redevelopment of the Council land and property;
 - matters relating to the Council's freehold interest and shareholding in Birkenhead Market.
- (20) The organisation of a corporate planned maintenance policy.
- (21) Co-ordinating performance management and performance indicators.

Finance and Best Value

- (22) The Council's contribution to the major partnership initiatives in which it is engaged, such as the Local Strategic Partnership, Local Area Agreement Partnership Board, Liverpool City Region and Local Government Association.
- (23) The following areas:
 - the formulation and submission of proposals relating to strategic policy;
 - the overall production of the Corporate Plan;
 - revenue and capital budgets, including preparations for the annual budget and Capital Plan;
 - schemes under the Private Finance Initiative;

- procurement.
- (24) Information technology.
- (25) Financial matters including insurance, rating, council tax and housing and council tax benefits.
- (26) The performance of the Council as measured through the Comprehensive Performance Assessment and Comprehensive Area Assessment process.
- (27) Initiatives in relation to local democracy and the modernisation of local government.

All portfolios

- (28) Those parts of the Corporate Plan within the remit of this Committee.
- (29) To seek to achieve continuing and improving performance, better value for money and customer satisfaction in respect of those services provided through these areas.
- (30) To support the Council's equal opportunity policies by promoting and monitoring initiatives to encourage equality of opportunity amongst disadvantaged groups including: the disabled, ethnic minorities, the long-term unemployed, the poor, and women;
- (31) To scrutinise Local Area Agreements that fall within the areas set out above and to hold partners to account.

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WIRRAL COUNCIL

COUNCIL EXCELLENCE OVERVIEW & SCRUTINY COMMITTEE

1 JULY 2009

REPORT OF THE DIRECTOR OF FINANCE

FINANCIAL MONITORING STATEMENT

1. EXECUTIVE SUMMARY

1.1 This report provides a summary in tabular format of the current position of the revenue accounts and General Fund balances.

2. MONITORING STATEMENT

2.1 The monitoring statement is attached to this report and includes the following:

- Composition of the original 2009/10 budget by Department including agreed savings and policy options.
- Monitoring against the 2009/10 budget including the financial implications of any Cabinet decisions.
- Anticipated variances against the original budget.
- Explanation of variances and areas identified as requiring further attention.

2.2 The Statement is produced monthly and sent to all Members of Cabinet and this Committee as well as the Chairs of Scrutiny Committees. A formal report is submitted to each meeting of this Committee.

3. FINANCIAL AND STAFFING IMPLICATIONS

3.1 The Statement presents an update of the revenue budget and General Fund balances as at 31 May 2009.

3.2 At this stage of the financial year there are reports of financial pressures in:-

- a. Adult Social Services - projecting a £2.3 million overspend as a consequence of Community Care pressures and the impact of the changes agreed by Cabinet to non-residential care charges and residential and nursing home fees. The Director is developing action plans to address this overspend.
- b. Children & Young People - identified increasing demands, primarily within the areas of residential care and Special Education Needs (including transport). Together with the need for employee related savings the pressures are around £2.9 million. The Director has taken actions over Surestart / grant based activities that will reduce the likely overspend to £1.8 million.

- c. Law, HR & Asset Management - issues identified are primarily over capacity within the Department with the delivery of the Local Pay Review and the Strategic Asset Review and support for Care Services placing increasing burdens upon the available resources.
- d. Regeneration - historically the main area of concern is in meeting the income targets which continue to be closely monitored. The impact of the Public Inquiry into library provision has seen the planned programme for library changes placed on hold which is incurring additional costs of £68,000 per month plus the, yet to be confirmed, costs of the Inquiry.

3.4 The 2008/09 accounts are presently being completed and the final outturn reported to Cabinet on 25 June 2009 and the Statement of Accounts to Audit and Risk Management Committee on 29 June 2009.

3.5 The impact of the overspends in Adult Social Services and Children and Young People, if realised, would be to reduce the balance at 31 March 2010 by around £4.1 million (from £6 million to £1.9 million) although the Directors are looking at actions to address the projected overspends. As referred to above the final position for 2008/09 will also impact upon the balance.

Details	£million	£million
Projected General Fund balances at 31 March 2010 when setting the budget for 2009/10		6.0
Cabinet decisions		
None as at 31 May which affected the forecasted budget		-
Projected variances / potential overspends		
Overspend (see 3.2)		
Adult Social Services	+2.3	
Children & Young People	+1.8	-4.1
General Fund balances at 31 March 2010 based upon the projections at 31 May		1.9

3.6 There are no staffing implications arising directly from this report.

4. EQUAL OPPORTUNITIES IMPLICATIONS

4.1 There are none arising directly from this report.

5. HUMAN RIGHTS IMPLICATIONS

5.1 There are none arising directly from this report.

6. LOCAL AGENDA 21 IMPLICATIONS

6.1 There are none arising directly from this report.

7. **COMMUNITY SAFETY IMPLICATIONS**

8.1 There are none arising directly from this report.

9. **PLANNING IMPLICATIONS**

9.1 There are none arising directly from this report.

10. **LOCAL MEMBER SUPPORT IMPLICATIONS**

10.1 There are no particular implications for any Members or wards arising out of this report.

11. **BACKGROUND PAPERS**

11.1 None were used in the preparation of this report.

12. **RECOMMENDATION**

12.1 That the contents of the financial monitoring statement be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/191/09

Department	ORIGINAL BUDGET			MONITORING				COMMENTS	
	Saving Target	Policy Option	Agreed Budget	Saving Target	Policy Option	Variations			Forecast
Expenditure	£000	£000	£000			Agreed	Projected	£000	
Adult Social Services	3,777	-	86,098	*	-	-	+2,300	88,398	Pressures are community care + savings from non-residential care charges and residential nursing home fees.
Children & Young People (including Schools)	1,380	970	77,914	✓	✓	-	+1,800	79,714	Residential child care costs (demand increasing) and SEN (including transport) remain the volatile areas.
Corporate Services	-	310	5,649	-	✓	-	-	5,649	No issues identified.
Finance / Treasury Mgt	2,950	360	28,834	✓	✓	-	-	28,834	Housing Benefit largest budget whilst Treasury Management activities affected by financial markets but presently on target.
Law, HR and Asset Mgt	212	-	2,479	✓	-	-	-	2,479	Issues identified are over capacity given Local Pay Review, Strategic Asset Review and support for Care Services.
Regeneration	3,464	50	46,512	X	✓	-	n/k-	46,512	The Public Inquiry will impact upon delivery of the projected savings from the SAR. Income targets remain a key area.
Technical Services	966	180	41,921	✓	*	-	-	41,921	Income being closely monitored and currently no issues.
Merseytravel	-	-	26,305	N/a	N/a	-	-	26,305	Fixed amount - no change.
Local Pay Review	-	-	1,177	N/a	N/a	-	-	1,177	
Contribution from Balances	-	-	(3,193)	N/a	N/a	-	-	(3,193)	For SAR and Children's care services.
LAA / LAA grants	-	-	(1,600)			-	-	(1,600)	No changes approved by Cabinet.
Budget Requirement	12,749	1,870	312,096			-	+4,100	316,196	
Income									
Revenue Support Grant	-	-	28,643	N/a	N/a	N/a	N/a	28,643	Fixed amount-- no change
Area Based Grant	-	-	31,038	N/a	N/a	N/a	N/a	31,038	Government to confirm final allocations
National Non Domestic Rate	-	-	124,094	N/a	N/a	N/a	N/a	124,094	Fixed amount - no change
Council Tax	-	-	129,008	N/a	N/a	N/a	N/a	129,008	Fixed amount - no change
Collection Fund Deficit	-	-	(687)	N/a	N/a	N/a	N/a	(687)	Fixed amount - no change
Total Income			312,096					312,096	Fixed amount - no change
Statement of Balances									
As at 1 April	-	-	8,507	-	-			6,001	Opening balance – forecast for 1 April 2010
Contributions from Balances	-	-	(3,193)	-	-			-	No changes approved by Cabinet.
Contributions from Reserves	-	-	687	-	-			-	No changes approved by Cabinet.
Cabinet decisions	-	-	-	-	-			-	No changes approved by Cabinet. Accounts for 2008/09 due to be completed in June.
Variations – Agreed Cabinet			-	-	-			-	No changes approved by Cabinet.
Variations – Projected	-	-	-	-	-		-4,100	-4,100	Based on projections for Adults and Children's.
BALANCES			6,001				-4,100	1,901	Projected balance at start / end of year
Key = No concern for item ✓ (Green)				Key = Some concern for item * (Amber)					Key = Concern for item X (Red)

WIRRAL COUNCIL

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

1 JULY 2009

REPORT OF THE DIRECTOR OF FINANCE

PROJECTED BUDGET 2010-2011

1. EXECUTIVE SUMMARY

- 1.1. This report presents the projected budget for 2010-2011 which will be the final year of the Comprehensive Spending Review 2007 (CSR).

2. BUDGET 2009-10

- 2.1. The summary budget for 2009-10 as agreed by the Council on 2 March 2009 is as follows:

	£m
Base Budget	316.9
Resources	
Formula Grant	152.8
Area Based Grant	31.0
Council Tax	129.0
Collection Fund	-0.7
Use of Balances	<u>4.8</u>
	316.9

3. COMPREHENSIVE SPENDING REVIEW

- 3.1. The Comprehensive Spending Review (CSR) 2007, was announced on 9 October 2007. An initial report on the Pre Budget Statement by the Chancellor of the Exchequer including the CSR was presented to the Cabinet on 1 November 2007. The Department for Communities and Local Government (DCLG) announced the three year provisional Local Government Finance settlement on 6 December 2007 and the final settlement on 24 January 2008.
- 3.2. The provisional Local Government Finance Settlement for 2009-10 was issued by the DCLG on 26 November 2008. The provisional settlement restated the indicative figures included in the settlement issued on 24 January 2008 and was reported to Cabinet on 10 December 2008.
- 3.3. The final settlement was issued on 21 January 2009 which again confirmed the indicative figures for 2010-11.

3.4. In his budget speech on 22 April 2009 the Chancellor of the Exchequer stated that the main grant for 2010-11 would not be reduced but there will be reductions from 2011-12.

4. **VARIATIONS IDENTIFIED FOR 2010-2011**

4.1. **Inflation** –Provision is included for pay and prices at 2% and for income at 3%.

4.2. **Capital Financing** – Cabinet on 10 December 2008 agreed the capital programme for 2009-2012 at an additional financing cost totalling £2.9m for 2010-11.

4.3. **Waste Disposal** – The waste disposal levy is projected to increase by 15.7%, £2.6m.

4.4. **Pension Fund** - The Pension Fund was actuarially revalued as at 31 March 2007. The phased implementation of the revised contribution rates over three years was agreed by the Cabinet on 12 December 2007.

4.5. **Merseytravel** – The Merseytravel levy is projected to increase by 4% in 2010-11, £1.0m.

4.6. **Invest to Save Schemes** – The Cabinet has agreed a number of invest to save schemes which will reduce expenditure by £0.4m in 2010-11.

4.7. **Private Finance Initiative** – Increase in PFI payments of £1.0m in 2010-11 as the PFI reserve reduces.

4.8. **Benefits Subsidy** – The Department for Work and Pensions has announced that benefits subsidy will be reduced by 3% per annum in real terms, 5% per annum in cash for certain elements of the subsidy, a reduction of £0.3m per annum.

4.9. **Other Unavoidable Growth** – A number of relatively minor items of unavoidable growth of less than £0.2m will arise. These should total less than £1m.

5. **OTHER DEVELOPMENTS**

5.1. There are a number of other developments which are likely to impact on the financial position of the Authority during 2010-11. The impact of these issues will be reported to the Cabinet as and when they are resolved. Some of the potentially most important issues are:-

(a) Global recession. This is likely to impact on the budget in many ways and will be kept under continuous review.

- (b) Review of the Local Authority Business Growth Incentive Scheme. A consultation paper on a revised scheme to commence in 2009 was reported to the Cabinet on 29 November 2007. A further consultation paper has been received which if implemented could result in a grant of £0.2m in 2009-10 and £0.5m in 2010-11.
- (c) Review of Supporting People Grant to be undertaken in 2009 with the grant to be absorbed into the Area Based Grant from 2010-11.
- (d) Implementation of supplementary business rates which was reported to Cabinet on 29 November 2007.
- (e) Review of the Area Cost Adjustment.
- (f) Review of the population statistics to include the effects of recent migration, which was reported to the Cabinet on 16 April 2008.
- (g) Review of the funding of social care with proposals to be released in June 2009
- (h) Transfer of the responsibilities of the Learning and Skills Council to Local Authorities from 2010-11.
- (i) Introduction of the Community Infrastructure Levy in October 2009.
- (j) Implementation of International Financial Reporting Standards from 2010 which was reported to the Cabinet on 9 April 2009.
- (k) Carbon Reduction Commitment to be introduced from 2010-11 which was reported to the Cabinet on 19 March 2009.

6. **BALANCES**

- 6.1. The balances for 2009-10 have been set at £6m.

7. **EFFICIENCY REQUIREMENTS**

- 7.1. The gap between projected expenditure and anticipated resources will need to be bridged by a combination of savings and/or increased Council Tax.
- 7.2. The efficiencies agreed in preparing the budget for 2009-10 included £0.5m which will become effective from 2010-11.

7.3. Apportionment of the efficiency requirement in line with the agreed three year efficiency plan would produce the following targets:-

	£000
Adult Social Services	2,070
Children & Young People	1,200
Corporate Services	70
Finance	530
Law/HR/Asset Management	190
Regeneration	920
Technical Services	<u>620</u>
	5,600

7.4. Part of the Efficiency Investment Budget for 2010-11 is again being used to fund the following teams which are working on the delivery of the corporate change programme:-

	£m
Procurement and Creditors	1.3
Change	0.7
Customer Services Development	0.2
Adult Social Services Reform	<u>0.5</u>
	2.7

7.5. I am assuming an annual Council Tax increase of 4%.

7.6. The Minister for Local Government has stated that the Council Tax capping limit is likely to remain at 5%.

8. FINANCIAL IMPLICATIONS

8.1. The projected budgets for 2010-11 is compiled from the base budget for 2009-10 approved by Council on 2 March 2009, the Medium Term Financial Strategy 2009-2012 agreed by the Cabinet on 23 July 2008, and updated for the issues outlined in this report. The projected budget is shown in the Appendix.

9. STAFFING IMPLICATIONS

9.1. There are none arising from this report.

10. EQUAL OPPORTUNITIES IMPLICATIONS

10.1. There are none arising form this report.

11. HUMAN RIGHTS IMPLICATIONS

11.1. There are none arising from this report.

12. LOCAL AGENDA 21 IMPLICATIONS

12.1. There are none arising from this report.

13. COMMUNITY SAFETY IMPLICATIONS

13.1. There are none arising from this report.

14. PLANNING IMPLICATIONS

14.1. There are none arising from this report.

15. LOCAL MEMBER SUPPORT IMPLICATIONS

15.1. There are none arising from this report.

16. BACKGROUND PAPERS

16.1. Comprehensive Spending Review – HM Treasury – October 2007
Medium Term Financial Strategy – 2009-2012 – July 2008
Formula Grant Settlement 2009-10 –DCLG –January 2009.
Estimates 2009-10 – March 2009
Budget – HM Treasury – April 2009.

17. RECOMMENDATION

17.1. That the projected budget for 2010-11 be updated and reported regularly to the Cabinet.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/121/09

**WIRRAL COUNCIL
PROJECTED BUDGET 2010-11**

	£m
Base Budget	314.2
Increased Requirements	
Pay Inflation	3.3
Price Inflation	3.6
Capital Financing	2.9
Waste Disposal	2.6
Pension Fund Revaluation	0.5
Merseytravel	1.0
Private Finance Initiative	1.0
Benefits Subsidy	0.3
Supporting People	10.3
Unavoidable Growth	1.0
Efficiency Investment Fund	<u>2.6</u>
	343.3
Reduced Requirements	
Income Inflation	-1.0
Invest To Save	-0.4
LABGI	-0.3
Area Based Grant	-0.4
Agreed Efficiencies	<u>-0.5</u>
Forecast Expenditure	341.0
Resources	
Formula Grant	157.9
Area Based Grant	41.0
Council Tax	129.0
LAA Reward Grant	1.4
LABGI	0.5
Reserves	<u>0.5</u>
Forecast Resources	330.3
Shortfall	10.7
Council Tax Increase	5.2
Efficiencies required	5.5

WIRRAL COUNCIL

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

1 JULY 2009

REPORT OF THE DIRECTOR OF FINANCE

BUDGET PROJECTIONS 2011-2014

1. EXECUTIVE SUMMARY

1.1. With the release of documents supporting the Chancellor of the Exchequer's Budget on 22 April 2009 it is now possible to make an initial estimate of the projected budgets for the years from 2011 to 2014.

2. ASSUMPTIONS UNDERPINNING THE PROJECTIONS

2.1. Inflation – HM Treasury is assuming a return to a long term inflation rate of 2%. Therefore pay and prices are assumed to increase by 2% per annum with income to continue to increase by 3% per annum.

2.2. Capital Financing – HM Treasury is assuming that the level of capital investment will reduce by 50% between 2009-10 and 2013-14. The annual increase in capital financing charges has therefore been reduced to £2.0m.

2.3. Pension Fund – the Department for Communities and Local Government (DCLG) has yet to finalise the basis on which the 2010 pension fund revaluation will be undertaken and also the proposed cost sharing arrangements. Therefore I am assuming a continuation of the current annual increase of £0.5m.

2.4. Waste Disposal – the increase in the levy will be dependent on delivery of the waste disposal strategy. The Landfill Tax will increase by £8 per ton per annum, an increase of 50% between 2010-11 and 2013-14.

2.5. Merseytravel – the levy is assumed to continue to increase by 4% per annum.

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 Reform Grant of £1.9m will cease in 2011-12 with the assumed implementation of the personalisation agenda, from which the Department of Health is assuming efficiencies of upto 7%. I have only assumed that the removal of the Reform Grant will not impact on the net budget.
- 2.10 Learning and Skills Council – it is assumed that the transfer of responsibilities to the Authority will be on a full cost basis.
- 2.11. Carbon Reduction Commitment – payment of £1.0m commencing in 2011-12. It is assumed that the Authority will reduce the carbon footprint sufficiently to recover these payments.
- 2.12. Other Unavoidable Growth – a number of items of unavoidable growth of less than £0.2m will arise. These usually total about £1m per annum.
- 2.13. Efficiency Investment – in order to continue to deliver efficiencies in future years it will be necessary to continue to invest and therefore I have assumed a budget of £2m per annum.
- 2.14. Government Grants – the target for overall growth in public expenditure has been reduced from 1.8% in the Budget 2008 to 1.2% in the Pre-Budget Report to 0.7% in the Budget 2009. After allowing for debt repayments and the increase in welfare benefits of 1.7%, the rest of the public sector will face an annual reduction of 2.3%.
- 2.15 Council Tax – I am assuming an annual increase of 4%.

3. FINANCIAL IMPLICATIONS

- 3.1. The assumptions outlined above are reflected in the budget projections in the Appendix.

4. STAFFING IMPLICATIONS

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

5. EQUAL OPPORTUNITY IMPLICATIONS

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

6. COMMUNITY SAFETY IMPLICATIONS

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

7. HUMAN RIGHTS IMPLICATIONS

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

8. LOCAL AGENDA 21 IMPLICATIONS

8.1. There are none arising directly from this report.

9. PLANNING IMPLICATIONS

9.1. There are none arising directly from this report.

10. MEMBER SUPPORT IMPLICATIONS

10.1. There are none arising directly from this report.

11. BACKGROUND PAPERS

11.1. Medium Term Financial Strategy 2009-12 – July 2008
Formula Grant Settlement 2009-10 – DCLG – January 2009
Estimates 2009-10 – March 2009
Budget – HM Treasury – April 2009

12. RECOMMENDATIONS

12.1. That the budget projections be kept under review as the global recession develops.

12.2. That further efficiencies be sought through the delivery of the strategic change programme, the extension of that programme and by specific service efficiencies.

IAN COLEMAN
DIRECTOR OF FINANCE.

FNCE/122/09

WIRRAL COUNCIL

BUDGET PROJECTIONS 2011-2014

	2011-12 £M	2012-13 £M	2013-14 £M
Base Budget	335.5	333.9	335.1
Increased Requirements			
Pay Inflation	3.4	3.4	3.5
Price Inflation	3.7	3.7	3.8
Capital Financing	2.0	2.0	2.0
Pension Fund	0.5	0.5	0.5
Waste Disposal	3.0	4.0	5.0
Merseytravel	1.0	1.1	1.1
Private Finance Initiative	0.2	0.2	0.2
Benefits	2.4	2.4	2.5
Other Unavoidable Growth	1.0	1.0	1.0
Efficiency Investment	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
	354.7	354.2	356.7
Reduced Requirements			
Income Inflation	-1.0	-1.1	-1.1
Benefits Subsidy	<u>-2.2</u>	<u>-2.2</u>	<u>-2.3</u>
	351.5	350.9	353.3
Resources			
Grants	194.3	189.9	185.5
Council Tax	<u>134.2</u>	<u>139.6</u>	<u>145.2</u>
Forecast Resources	328.5	329.5	330.7
Shortfall	23.0	21.4	22.6
Council Tax Increase	5.4	5.6	5.8
Efficiencies Required	17.6	15.8	16.8

WIRRAL COUNCIL

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

1 JULY 2009

REPORT OF THE DIRECTOR OF FINANCE

GENERAL FINANCIAL MATTERS

1. EXECUTIVE SUMMARY

1.1. This report provides information on the treasury management position, monitoring of the prudential indicators, the position regarding Council Tax, National Non Domestic Rate, general debt and cash income collection and the payment of Benefits.

2. FINANCIAL IMPLICATIONS

2.1. Current Economic Environment

2.1.1 The UK is in a recession with economic growth forecast to fall by 3.8% in 2009. The recent glimmers of improvement need to be viewed with some caution as it is easy to improve on figures that have been so bad in recent months.

2.1.2 Inflation figures continued their descent with the official measure of inflation, CPI, falling to 2.3% and RPI falling into deflation territory at -1.2% for May 2009. While CPI remains above the Bank of England (BoE) target of 2% it continues to fall and is expected to fall to near 0% in the second half of 2009.

2.1.3 The BoE base rate remains at 0.5% and is forecast to stay at this level throughout 2009. The BoE continues to try and stimulate the economy through Quantitative Easing (QE) and at their meeting in May 2009 the members of the Monetary Policy Committee voted to increase the QE programme by a further £50billion. It is hoped that this will provide sufficient encouragement to the economy to help generate growth in the near future.

2.2. Investments

2.2.1. The Treasury Management Team invests money for periods varying from 1 day to 10 years, in accordance with the Treasury Management Strategy, to earn interest until the money is required by the Council. This money occurs for a number of reasons including;

- General Fund Balances
- Reserves and Provisions
- Grants received in advance of expenditure
- Money borrowed in advance of capital expenditure
- Schools Balances
- Daily cashflow/ working capital

2.2.2 As at the 31 May 2009 the Council held investments of £110m. The table below details these investments;

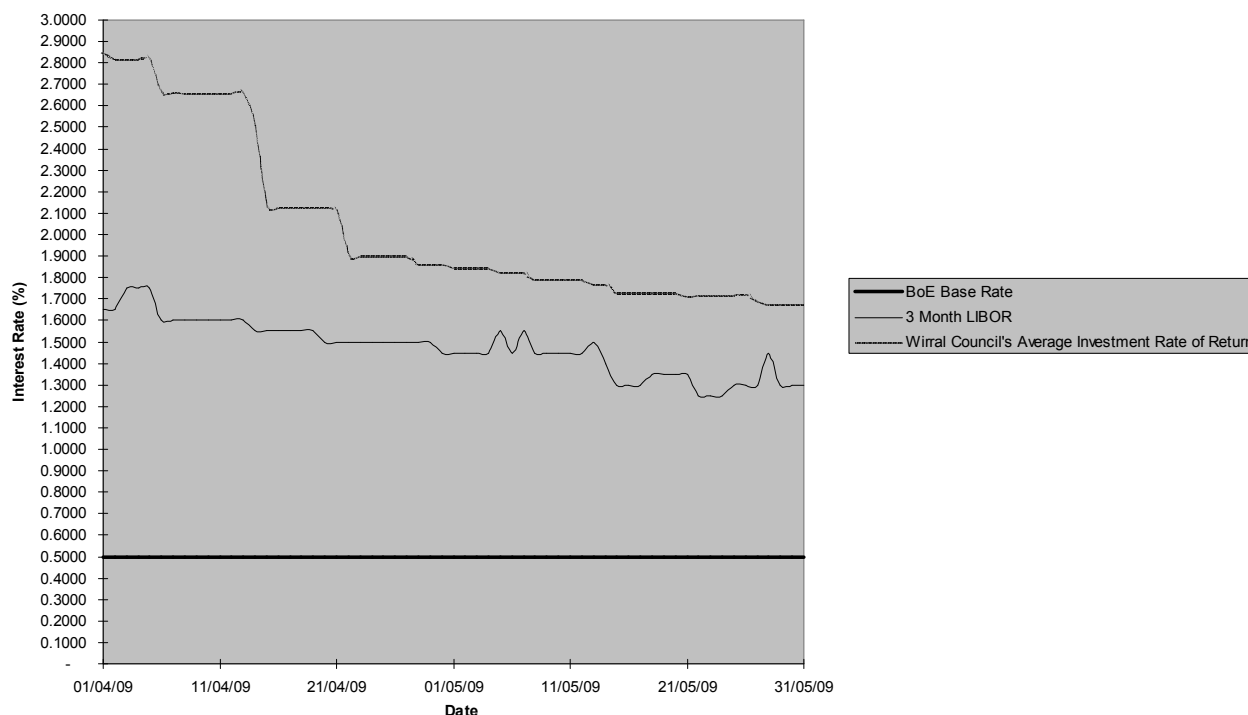
Table 1: Investments as at 31 May 2009

Investments with:	£m
UK Banks	69
Building Societies	13
Debt Management Office	0
Other Local Authorities	0
Money Market Funds	27
Gilts and Other Unit Trusts	1
TOTAL	110

2.2.3 Of the above investments £41m is invested in instant access funds, £63m is invested for up to 1 year, £2m is invested for up to 2 years and £4m is invested for up to 5 years.

2.2.4 The average rate of return on investments as at 31 May 2009 was 2.03%. The graph below shows the Treasury Management Team rate of return against the Bank of England base rate and the 3 month LIBOR (the inter bank lending rate);

Chart 1: Investment Rate of Return in 2008/09



2.2.5 The rate at which the Council can invest money has fallen considerably over the year, in line with the falling BoE base rate.

2.2.6 Since November 2008 the Council has maintained a more restrictive policy on new investments by only investing in UK institutions AA rated or above that have received Government guarantees of support, if required. The Council also continues to invest in AAA rated money market funds and the Debt Management Office (DMO).

2.2.7 The 2009/10 investment income budget has been adjusted down to £1.3m to reflect the low interest rates that are anticipated to continue throughout the financial year. With low interest the Council will not achieve the large surpluses that have been made in the past few years.

2.2.8 The security of the investments always takes priority over the returns.

Icelandic Investment

2.2.9 The Council had a deposit of £2m with Heritable Bank and Members have received regular updates regarding the circumstances and the current situation. In March 2009 an Audit Commission report confirmed that Wirral Council has acted, and continues to act, prudently and properly in all its investment activities.

2.2.10 Based on present information, the Heritable Bank Administrators projections indicate a base case return to creditor of between 70-80 pence in the pound. The Administrators have estimated that the return to creditors improves where the book is run-off over a longer time period (i.e. 70 pence return through to end of 2010 and 80 pence return through to end of 2012). If conditions improve over this period of time it is possible that the final recovery could be higher than the base case above and the Council remains confident that the money will be repaid in full.

2.2.11 The first payment from the Administrators of 15% should be returned to the Council in July 2009.

2.3. Borrowings

2.3.1 The Council undertakes borrowings to help fund capital expenditure. This year the capital programme required borrowings of £28m. However, to date no additional borrowing has been undertaken. The table below shows the total borrowings of the Council as at 31 May 2009.

Table 2: Borrowings as at 31 May 2009.

Borrowings	£m
PWLB	110
Market Loans	174
Temporary Loans	10
TOTAL	294

2.3.2 The Council is able to borrow from two main sources, either from the Public Works Loan Board (PWLB), which is effectively borrowing from the Government, or from the Market, i.e. direct from the banks.

2.3.3 As the year progresses an assessment will be made as to the best time to borrow money. Currently, as the rate of return from investments has diminished and the perceived risk of investments has increased, it has become more appropriate to reduce the level of investment.

2.3.4 By not reinvesting money as investments mature I am able to use this money to temporarily fund capital expenditure. This therefore temporarily reduces the need to undertake new long term borrowing and also alleviates the difficulty and risk in finding a safe counterparty to invest with.

- 2.3.5 This strategy produces savings as borrowing money long term to fund the capital programme would currently be at an interest rate of approximately 4.5% while investments currently only earn approximately 0.7%. By using investments to fund the capital programme in the short term the Council loses 0.7% in investment income but saves 4.5% normally paid on borrowings thereby making a net saving of 3.8%.
- 2.3.6 The downside to this strategy is that investments are not permanent surplus money but rather money set aside for a specific, future, reason. By using these investments to fund the capital programme there will come a time when the Council may encounter cashflow problems. However, this problem can be rectified by temporarily borrowing money as and when required. Short term temporary borrowing currently costs 0.5%, significantly less than long term borrowing.
- 2.3.7 This strategy has been adopted in the short term as a reaction to complex and unique market conditions. It is not a strategy that would normally be cost effective but is beneficial at this time. The Treasury Management Team will continue to monitor the situation to ensure that as the economic conditions change the strategy is adjusted accordingly.

2.4. **Monitoring of the Prudential Code Indicators**

- 2.4.1 The introduction of the Prudential Code in 2004 gave Local Authorities greater freedom in making capital strategy decisions. The prudential indicators allow the Council to demonstrate that it is complying with the statutory end of establishing prudence and affordability within its capital strategy.
- 2.4.2 Below is a selection of prudential indicators which demonstrate that the treasury management decisions are in line with the capital strategy, which is prudent and affordable.

Net External Borrowing and Capital Financing Requirement (CFR) Indicator

- 2.4.3 The CFR measures the underlying need to borrow money to finance capital expenditure. The Prudential Code stipulates that net external borrowing should not exceed the CFR for the previous year plus the estimated additional CFR requirement for the current and next two financial years. Table 3 below shows the cumulative CFR and net borrowing of the Council.

Table 3: Net External Borrowing compared with CFR.

	£m
CFR in previous year (2008-09 estimate)	317
additional CFR in current year (2009-10)	14
additional CFR in 2010-11	12
additional CFR in 2011-12	8
Cumulative CFR	351
External Borrowing as at 31 May 2009	294

2.4.4 Net external borrowing does not exceed the CFR and it is not expected to in the future. This is a key indicator of prudence.

Authorised Limit and Operational Boundary Indicators

2.4.5 The Authorised Borrowing Limit is the amount determined as the level of borrowing which, while not desired, could be afforded but may not be sustainable. It is not treated as an upper limit for borrowing for capital purposes alone since it also encompasses temporary borrowing. An unanticipated revision to this limit is considered to be an exceptional event and would require a review of all the other affordability indicators.

2.4.6 The Operational Boundary is the amount determined as the expectation of the maximum external debt according to probable events projected by the estimates and makes no allowance for any headroom. It is designed to alert the Authority to any imminent breach of the Authorised Limit.

Table 4: Authorised Limit and Operational Boundary Indicator

	Apr 09 £m	May 09 £m
Authorised limit	475	475
Operational Boundary	460	460
Total Council Borrowing	294	294

2.4.7 The table above shows that neither the authorised limit nor the operational boundary was breached in April or May 2009. This is a key indicator of affordability.

Interest Rate Exposures Indicator

2.4.8 The Prudential Code also requires Local Authorities to set limits for the exposure to the effects of interest rate changes. Limits are set for the amount of borrowings/ investments which are subject to variable rates of interest and the amount which is subject to fixed rates of interest. Table 5 shows the interest rate exposure as at 31 May 2009.

Table 5: Interest Rate Exposure:

Interest Rate Exposure	Fixed Rate of Interest	Variable Rate of Interest	Total
Borrowings	£284m	£10m	£294m
Proportion of Borrowings	96.6%	3.4%	100%
Upper Limit	100%	50%	
Investments	£6m	£104m	£110m
Proportion of Investments	5.5%	94.5%	100%
Upper Limit	100%	100%	
Net Borrowing	£278m	£-94m	£184m
Proportion of Total Net Borrowing	151%	-34%	100%

2.4.9 The table above shows that borrowings are mainly at fixed rates of interest and investments are mainly at variable rates of interest. This was considered to be a good position while interest rates were rising as the cost of existing borrowings has remained stable and the investments, at variable rates of interest, have generated increasing levels of income.

2.4.10 As the environment has changed to one of falling/ low interest rates the Treasury Management Team is working to adjust this position. This work is unfortunately restricted by a number of factors:

- the level of uncertainty in the markets makes investing for long periods at fixed rates of interest more risky and therefore the Council continues to only invest short term at variable rates of interest;
- Many Council loans have expensive penalties for early repayment or rescheduling which makes changing the debt position difficult.

2.4.11 The Treasury Management Team will continue to work hard to improve the position within these limiting factors.

Maturity Structure of Borrowing Indicator

2.4.12 The maturity structure of the borrowing has also been set to achieve maximum flexibility with the Authority able to undertake all borrowing with a short maturity date or a long maturity date. Table 6 shows the current maturity structure of borrowing.

Table 6: Maturity Structure of Borrowing

		31-May-09	31-May-09
	Borrowings Maturity (years)	£m	%
Total Short Term Borrowing	Less than 1 year	24	8
Long Term Borrowing	Over 1 year under 2 years	15	5
	Over 2 years under 3 years	16	5
	Over 3 years under 4 years	12	4
	Over 4 years under 5 years	28	10
	Over 5 years under 10 years	34	12
	Over 10 years under 20 years	39	13
	Over 20 years under 40 years	33	11
	Over 40 years under 60 years	74	25
	Over 60 years under 70 years	19	7
Total Long Term Borrowing		270	92
Total Borrowing		294	100

3. REVENUES COLLECTION

3.1. The following statement compares the amount collected for **Council Tax** in the period 1 April 2009 to 31 May 2009 with the amount collected in the same period in 2008/09.

	Actual 2009/10 £	Actual 2008/09 £
Cash to Collect	123,144,155	119,401,872
Cash Collected	24,295,294	23,569,789
% Collected	19.7%	19.7%

- 3.2. The following statement compares the amount collected for **National Non-Domestic Rates** in the period 1 April 2009 to 31 May 2009 with the amount collected in the same period in 2008/09.

	Actual 2009/10 £	Actual 2008/09 £
Total Collectable (including arrears)	75,845,824	66,002,023
Amount Outstanding	64,623,372	54,123,317
% Outstanding	85.20%	82.00%
Amount Collectable 2009/10	66,949,292	64,772,775
Net 2009/10 Cash Collected	11,045,295	12,605,089
% Collected	16.50%	19.46%

- 3.3. It is pleasing to note that despite the current economic climate Council Tax payment is currently maintained at the 2008-9 level. The 100% level for empty Business Rate on properties above a rateable value of £15000, the revised port assessments and the current economic climate continue to have a detrimental effect on Business Rate collection levels. Comparison with similar local authorities shows a similar drop in collection.
- 3.4. The following statement provides information concerning collection of local taxes from 1 April 2009 to 31 May 2009.

	Council Tax	Business Rates
Reminders/Final Notices	20,519	704
Summonses	5,916	0
Liability Orders	1,965	0
Recovery action in progress		
Attachment of Earnings	303	
Deduction from Income Support	592	-
Accounts to Bailiff	1,602	83
Pre-Committal Warning Letters	973	-
Committal Orders Issued	4	0
Debtors Committed	0	0

Current Status of Agent Work in respect of Committals for 1 April 2009 to 31 May 2009.

Warrants of Arrest issued by Court (Bail and No Bail)	25
Warrants of Arrest (Bail) to Warrant officer	30
Warrants of Arrest (No Bail) to Warrant officer	8
Returned successful (Bail)	7
Returned successful (No Bail)	5
Returned other reasons (Bail)	1
Returned other reasons (No Bail)	0

3.5. Insolvency cases to 31 May 2009

The following information concerns Council Tax recovery work which involves cases where Insolvency action or charging orders against properties are used.

Bankruptcy cases	252
Charging orders	78
Winding up orders	2

New cases from 1 April 2009 to 31 May 2009

Bankruptcy	2
Charging orders	2
Winding up orders	0
	<u>336</u>

Status of Insolvency cases at 31 May 2009

Winding-up paid	1
Charging orders granted	39
Winding up Order	1
Supporting other petitions	3
Cases paid	83
Bankruptcy orders	95
Cases closed	95
Ongoing cases	19
	<u>336</u>

3.6. Fees and Charges

3.6.1. The following budgets and income received relate to other sources of cash income generated by the Council:-

	2008/09 Budget	Income to 31-May-08	2009/10 Budget	Income to 31-May-09
i. School Meals	£1,578,400	£72,692	£1,607,800	£185,628
ii. Sports Centres	£3,539,300	£387,918	£3,867,300	£374,027
iii. Golf Courses	£885,600	£165,831	£912,200	£259,402
iv. Burials and Cremations	£2,429,200	£297,907	£2,429,200	£214,313
v. Building Control Fees	£756,700	£94,382	£651,900	£117,760
vi. Land Charges	£470,100	£46,887	£358,300	£45,386
vii. Car Park (Pay and Display)	£2,424,200	£237,333	£2,496,900	£286,428
viii. Car Park (Penalty Notices)	£1,149,800	£163,958	£1,149,800	£150,130

3.6.2. Further explanation on the above budgets and income collection performance is provided below:

- (i) School Meals: The first two months income for school meals includes the Easter holiday period, and so income is much higher when compared to the same time last year, which was less affected by an earlier Easter.
- (ii) Sports Centres: Currently it is expected that the budgeted income will be achieved.
- (iii) Golf Courses: Currently it is expected that the budgeted income will be achieved.

- (iv) Burials and Cremations: Currently it is expected that the budgeted income will be achieved.
- (v) Building Control Fees: It is anticipated that the income will be achieved.
- (vi) Land Charges: It is anticipated that the income will be achieved.
- (vii) Car Parks Income (Pay and Display Tickets): It is anticipated that the year end income will be closely in line with budget.
- (viii) Car Park Income (Penalty Notices): It is anticipated that the year end income will be closely in line with the budget.

3.6.3. Sundry Debtors

	Actual 2009/10	Actual 2008/09
Amount Billed in last 12 months as at 31.05.09	£77,783,290	£65,812,404
Total outstanding as at 31.05.09	£18,916,594	£18,346,400
Arrears at 31.05.09	£12,122,919	£12,344,667
Number of invoices in arrears at 31.05.09	12,111	11,883
Number of reminders 01.04.09 to 31.05.09	5,244	6,556

The increase in sums billed reflects the increase in Adult Social Services accounts now being issued. However it is important to note that the total outstanding includes the sum still within the normal settlement period. The arrears sum reflects debts over one month old and this has remained constant despite the overall increase in accounts.

4. HOUSING BENEFITS

- 4.1. The following statement details the number of claimants in respect of benefit and the expenditure for Private Tenants and those in receipt of Council Tax Benefit up to 31 May 2009.

	2009/10	2008/09
Number of Private Tenant recipients	27,627	26,161
Total rent allowance expenditure	£19,176,357	
Number under the Local Housing Allowance scheme (included in the above)	5,583 £5,187,761	-
Number of Council Tax Benefit recipients	36,519	35,029
Total Council Tax Benefit expenditure	£29,087,706	
Total expenditure on benefit to date	£53,451,824	

- 4.2. The following statement provides information concerning the breakdown according to client type as at 31 May 2009

	Private Tenants	Owner Occupiers
Working age and in receipt of J.S.A.	13,982	1,812
Elderly and in receipt of J.S.A.	7,026	5,562
Working age and not receiving J.S.A.	4,655	1,200
Elderly and not in receipt of J.S.A.	<u>1,959</u>	<u>3,174</u>
Total	27,627	11,748

There are **39,375** benefit recipients in Wirral as at 31 May 2009. By comparison there were 37,276 at 31 May 2009. There has been a notable increase in owner occupiers of working age who are not in receipt of Job Seekers Allowance .

4.3. **Housing Benefit Fraud and Enquiries**

	01.04.08 to 31.03.09	01.04.09 to 31.05.09
New Cases referred to Fraud team in period	2087	406
Cases where fraud found and action taken	158	14
Cases investigated, no fraud found and recovery of overpayment may be sought	158	158
Cases under current investigation	237	219
Surveillance Operations Undertaken	0	0
Cases where fraud found and action taken; Administration penalty	34	5
Caution issued and accepted	101	7
Successful prosecution	23	2
Summons issued for prosecution purposes	12	1

4.4. **Discretionary Housing Payments**

- 4.4.1 Discretionary Housing Payments (DHP) may be awarded to provide short term financial assistance to Housing and Council Tax Benefit claimants who are experiencing difficulty meeting a shortfall in their rent or Council Tax because maximum benefit is not being paid.

- 4.4.2 DHP is not a payment of Housing/Council Tax Benefit and is funded separately from the main scheme. The Government contribution for 2009/10 is £310,919 with an overall limit of £777,298 which the Authority must not exceed. To date I have paid £15,361

5. **STAFFING IMPLICATIONS**

- 5.1. There are none arising from this report.

6. **EQUAL OPPORTUNITIES IMPLICATIONS**

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

7. **HUMAN RIGHTS IMPLICATIONS**

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

8. **LOCAL AGENDA 21 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. **PLANNING IMPLICATIONS**

10.1. There are none arising directly from this report.

11. **LOCAL MEMBER SUPPORT IMPLICATIONS**

11.1. There are none arising directly from this report.

12. **BACKGROUND PAPERS**

12.1. None were used in the preparation of this report.

13. **RECOMMENDATION**

13.1. That the report be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/139/09

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WIRRAL COUNCIL

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

1 JULY 2009

REPORT OF THE DIRECTOR OF FINANCE

MEMBERS FINANCE TRAINING

1. EXECUTIVE SUMMARY

- 1.1. It would be advantageous for Members of the Council Excellence Overview and Scrutiny Committee to have a good understanding of the finances of the Council. This report proposes a training course for Members to be conducted over two sessions to achieve this aim.

2. THE NECESSITY FOR TRAINING

- 2.1. By general concensus, the finances of local government are very complex. Wirral Council is a large Local Authority facing significant financial pressure. In this situation it would be advantageous to Members of the Committee individually, and to the Council generally, for there to be greater understanding of the finances of the Council.
- 2.2. This training would be in addition to the training being offered to Members in the role of scrutiny. The training could probably be delivered over two sessions of two hours each.
- 2.3. The revised Use of Resources (UOR) assessment, which forms an integral part of the Comprehensive Area Assessment (CAA), assumes a requirement for Members involved in Finance to have undertaken training to enable them to understand the finances of the Council.

3. COURSE CONTENT

- 3.1. I recommend that the following elements be included in the course:-

- | | |
|---------------------------|---|
| (a) Funds of the Council | - General Fund
Collection Fund
Capital Finance
Insurance Fund
Pension Fund |
| (b) Income of the Council | - Revenues Support Grant
Business Rates
Area Based Grant
Specific Grants
Fees and Charges
Council Tax
Borrowing |

(c) Resource Management - Medium Term Financial Strategy
Annual Budget
Cash Flow
Budget Monitoring
Treasury Management

(d) Expenditure of the Council
(e) Collection Fund
(f) Capital Programme
(g) Insurance Fund
(h) Pension Fund

4. FINANCIAL AND STAFFING IMPLICATIONS

4.1. The financial and staffing implications will be contained within existing budgets.

5. EQUAL OPPORTUNITIES

5.1. There are none arising directly from this report.

6. HUMAN RIGHTS IMPLICATIONS

6.1. There are none arising directly from this report.

7. LOCAL AGENDA 21 IMPLICATIONS

7.1. There are none arising directly from this report.

8. COMMUNITY SAFETY IMPLICATIONS

8.1. There are none arising directly from this report.

9. PLANNING IMPLICATIONS

9.1. There are none arising directly from this report.

10. LOCAL MEMBER SUPPORT IMPLICATIONS

10.1. There are none arising directly from this report.

11. RECOMMENDATION

11.1. That Members agree suitable dates for the provision of this training course.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/127/09

WIRRAL COUNCIL

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

1 JULY 2009

REPORT OF THE DIRECTOR OF FINANCE

RISK AND RETURN - ENGLISH LOCAL AUTHORITIES AND THE ICELANDIC BANKS

1. EXECUTIVE SUMMARY

1.1 This report summarises the key messages from the Audit Commission report Risk and Return - English Local Authorities and the Icelandic Banks. It takes the recommendations of the report and evaluates how Wirral performs against each of them. Finally, it restates the background to the £2 million investment with Heritable Bank and updates Members on the latest news from the Bank Administrators.

2. INTRODUCTION

2.1 On 26 March 2009 the Audit Commission published a report on treasury management in Local Authorities in light of the economic downturn and the deposits tied up in Icelandic banks. In total 127 English Local Authorities have deposits of more than £953 million with Icelandic banks.

2.2 Before I summarise the key messages of the Audit Commission report it is important to understand why Local Authorities, and in particular Wirral Council, has money available to make investments.

2.3 The money that the Council invests is money that has been allocated for a particular need but is not necessarily needed today. Examples of the type of money that the Council has available for investments are:

- Grants received from the Government to fund Council services that are not required immediately.

- Reserves which are set aside for future spending plans or as a contingency against future funding requirements. Examples of the types of reserves the Council has:
 - Insurance Fund - money set aside to cover the cost of third party claims which are pending but yet to be settled or for future claims which may be made against the Council.
 - Schools Balances - money set aside by individual schools to fund future plans.
 - Capital Receipts - money received from the sale of Council assets which will be used to fund future capital schemes.

- Money borrowed for capital schemes in advance of need - if the Council is planning a large capital project over the next few years it is prudent to borrow the money to fund the project at a time when interest rates are low which is not necessarily when the money is needed for the project.

2.4 All the money which is received by the Council is not necessarily spent on the first day of the year but rather is spent on Council services throughout the financial year. Rather than just leaving money in the current account I invest the money until it is required so that it can earn interest for the Council. In this way the Council maximises the benefits of the money it receives to help fund Council services and lower the Council Tax requirement.

3. KEY MESSAGES FROM THE AUDIT COMMISSION REPORT

3.1 The Audit Commission report gave five key messages on the investment activities of Local Authorities. These messages were:

1. Local Authorities have used interest from cash deposits as a valuable source of income.
2. The sums of money involved are large and invested widely. On 7 October 2008 451 Local Authorities had invested £31 billion, more than 40% of it overseas.
3. Almost 3.1% of all deposits were made in Icelandic banks. One hundred and twenty-seven Local Authorities held deposits, but delivery of services has not been affected.
4. Nationally the treasury management framework is broadly right but weaknesses in the detail have contributed to poor practice. In particular, there is little recognition that the risks associated with placing deposits with different banks may be highly correlated because they are in the same group, country or sector. Additionally, Government investment guidance gives too much weight to credit ratings at the expense of using a range of information sources.

5. Local treasury management arrangements vary. The best organisations balance risk and reward and arrangements include: regular review and scrutiny of policy and procedure: appropriately trained staff and engaged Elected Members; and the use of a wide range of information including, but not limited to, credit ratings.

4. CURRENT INVESTMENT POLICIES

4.1 The Audit Commission found that the majority of Councils had acted properly in managing their investments and were alert to the risks. Wirral Council was visited as part of their study and is considered to have acted properly.

4.2 Their report did however make a number of specific recommendations for Local Authorities to help strengthen investment policies and further limit the risk of exposure to any future banking failures. By taking each of the recommendations in turn current investment policies can be assessed.

4.3 Recommendation 1

4.3.1 ***Set the treasury management framework so that the organisation is explicit about the level of risk it accepts and the balance between security and liquidity and the yield to be achieved. At the highest level, the organisation should decide whether it has:***

- ***Appetite and capability to be able to manage risk by placing funds with financial institutions; or***
- ***No appetite and/or insufficient capability to manage the risk of placing funds in the market, and should instead place funds with the UK government's Debt Management Office;***

4.3.2 Each year I report to Cabinet to set out the Treasury Management and Investment Strategy (Cabinet 19 March 2009 for the latest strategy statement). This report states that the general policy objective is to invest surplus funds prudently. The investment priorities are; the security and liquidity of the invested capital and to generate an optimum yield which is commensurate with security and liquidity.

4.3.3 Strict minimum credit criteria are defined for counterparties with whom the Council will invest and these criteria have recently been tightened in light of the economic uncertainty. During the last quarter of 2008, when great economic uncertainty existed, the Council did take the decision to only invest funds with the Government Debt Management Office until the situation became more stable. This is just one example of how the Treasury Management Team, with the help of external advisers Arlingclose, constantly assesses risk and makes changes to activities, when necessary, to safeguard taxpayers money. Over the past three years the Treasury Management Team has generated approximately £12m of income from investments.

4.4 **Recommendation 2**

4.4.1 ***Ensure that treasury management policies:***

- ***Follow the revised CIPFA code of practice***
- ***Are scrutinised in detail by a specialist committee, usually the audit committee, before accepted by the authority***
- ***Are monitored regularly***

4.4.2 The Council has always adhered to the CIPFA code of practice and will continue to adhere to any revisions that CIPFA may propose following the Audit Commission report.

4.4.3 The treasury management and investment strategy statement is reported to Cabinet each year for approval.

4.4.4 Treasury Management activities are monitored regularly by officers and a quarterly monitoring report forms part of the General Financial Matters report taken to the Finance and Best Value Overview and Scrutiny Committee.

4.5 **Recommendation 3**

4.5.1 ***Ensure elected members receive regular updates on the full range of risks being run***

4.5.2 As stated above, every quarter the General Financial Matters report, taken to the Finance and Best Value Overview and Scrutiny Committee, includes updated details on the Treasury Management activities. A Treasury Management Annual report is reported to Cabinet at the end of each financial year summarising the annual performance.

4.6 **Recommendation 4**

4.6.1 ***Ensure that the treasury management function is appropriately resourced, commensurate with risks involved. Staff should have the right skills and have access to information and external advice.***

4.6.2 The Treasury Management Team consists of a CIPFA qualified accountant, a CIPFA finalist and two qualified Accounting Technicians.

4.6.3 Each member of the Team attends internal training courses on treasury management as well as courses organised by CIPFA and Arlingclose.

4.6.4 Each of the Team can speak to Arlingclose at any time for advice and all of the Team receive the Arlingclose e-mails with notification of any economic or financial changes which may require changes to investment activities.

4.6.5 The achievements of the Treasury Management Team in 2008 were also recognised by the Local Government Chronicle (LGC) who awarded the Group Accountant the title of Investment Officer of the year.

4.7 **Recommendation 5**

4.7.1 ***Train those elected members of authorities who have accountability for the stewardship of public money so that they are able to scrutinise effectively and be accountable for treasury management function***

4.7.2 Members receive financial training when they are first elected which includes an overview of the treasury management activities. Treasury management training for Members is included as part of the Finance training course for Members which I provide annually.

4.8 **Recommendation 6**

4.8.1 ***Ensure that the full range of options for managing funds is considered and note that early repayment of loans, or not borrowing money ahead of need, may reduce risks***

4.8.2 The Treasury Management Team, through meetings with Arlingclose, attendance at CIPFA courses and monitoring of all relevant marketing information, ensures that all options for managing funds are considered. It should also be noted that the current borrowing strategy has been to avoid borrowing money ahead of need, to limit the amount of money that is available for investment and thereby reduce risk.

4.9 **Recommendation 7**

4.9.1 ***Use the fullest range of information before deciding where to deposit funds***

4.9.2 The Council does not solely rely on credit ratings as a means of assessing the security of investments. The Council also takes into account information on corporate developments, market sentiment towards investment counterparties and any other advice at its disposal. This fact was demonstrated by the move away from investments in Icelandic Banks after December 2007 even though for most of 2008 Icelandic Banks retained a strong credit rating and received favourable press coverage.

4.10 **Recommendation 8**

4.10.1 ***Be clear about the role of external advisors and recognise that local authorities remain accountable for decisions made;***

4.10.2 The Treasury Management Team is clear about the relationship it has with the external advisors. Arlingclose provides market and economic expertise and information to help inform decisions.

4.11 **Recommendation 9**

4.11.1 ***Look for economies of scale by sharing resources between authorities or with pension funds, while maintaining separation of those funds.***

4.11.2 The Treasury Management Team and the Merseyside Pension Fund (MPF) regularly communicate and share information and ideas about investment activity. MPF is an important and valued source of information and one which the Team will continue to use. I continue to look at ways in which sharing resources can create benefits but the practical differences in the types of business undertaken by the General Fund and the MPF and the varied cashflows will always dictate the separation of the funds.

5. HERITABLE BANK

5.1 On 30 November 2007 the Council invested £2 million with Heritable Bank, a UK bank but a subsidiary of the Icelandic bank Landsbanki. The investment was a fixed term deposit for a period (or term) of 364 days paying an interest rate of 6.22%. At the time Heritable Bank was rated as 'A' by the credit ratings agency Fitch and was on the approved list of counterparties. The investment was also within the limit for investments with a single institution of £15M.

5.2 Following the appointment of Arlingclose a revised counterparty list was drawn up on 12 December 2007 which removed all Icelandic related banks from the approved counterparty list. This decision was taken despite Icelandic Banks retaining a high credit rating and paying attractive rates of return.

5.3 On 7 October 2008 Heritable Bank entered Administration, 52 days before the £2 million investment was due to mature on 28 November 2008. The Council has since submitted an insolvency claim to the Administrator of Heritable Bank, Ernst and Young.

5.4 Ernst & Young, has begun the process of identifying and recovering assets and reimbursing the banks creditors, of which Wirral Council is one. It has reported that the assets exceed the liabilities and has forecast that a material dividend will be payable in the near future. On 17 April 2009 Ernst and Young reported that it hoped to be able to pay 15% of amounts due in July 2009 and a minimum of 70% - 80% by 2012.

6. CONCLUSIONS

6.1 Wirral Council has acted, and continues to act, prudently and properly in all its investment activities. The recommendations proposed by the Audit Commission have already been undertaken at Wirral Council.

6.2 The Treasury Management Team adds immense value to the Council both in financial terms, by enhancing investment income and in non financial terms, through the strengthening of control procedures. The findings of the Audit Commission and the success at the LGC awards in 2008 provide clear independent evidence of the excellent work.

7. FINANCIAL IMPLICATIONS

7.1 Approval and implementation of any recommendations following the Audit Commission report will further limit financial risks.

8. STAFFING IMPLICATIONS

8.1. There are none arising out of this report.

9. EQUAL OPPORTUNITIES IMPLICATIONS

9.1. There are none arising out of this report.

10. COMMUNITY SAFETY IMPLICATIONS

10.1. There are none arising out of this report.

11. LOCAL AGENDA 21 IMPLICATIONS

11.1 There are none arising out of this report.

12. PLANNING IMPLICATIONS

12.1. There are none arising out of this report.

13. ANTI-POVERTY IMPLICATIONS

13.1. There are none arising out of this report.

14. SOCIAL INCLUSION IMPLICATIONS

14.1. There are none arising out of this report.

15. LOCAL MEMBER SUPPORT IMPLICATIONS

15.1 There are none arising out of this report.

16. BACKGROUND PAPERS

16.1 Risk and Return: English Local Authorities and the Icelandic Banks – Audit Commission, March 2009.

16.2 Treasury Management and Investment Strategy 2009 to 2012 – March 2009

16.3 Code of Practice for Treasury Management in Public Services – CIPFA 2002

17. RECOMMENDATION

- 17.1 That Members note the Audit Commission conclusion that the Council acted, and continues to act, properly in the management of its investments.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/126/09

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