



Cabinet

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| Date: | Monday, 21 February 2011 |
| Time: | 6.15 pm |
| Venue: | Committee Room 1 - Wallasey Town Hall |

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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

The members of the Cabinet are invited to consider whether they have a personal or prejudicial interest in connection with any of the items on this agenda and, if so, to declare it and state the nature of such interest.

2. MINUTES

The minutes of the last meeting have been printed and published. Any matters called in will be reported at the meeting.

RECOMMENDATION: That the minutes be approved and adopted.

FINANCE AND BEST VALUE

3. COUNCIL BUDGET 2011-12 (Pages 1 - 18)
4. SCHOOLS BUDGET 2011-2012 (Pages 19 - 38)
5. TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2011-14 (Pages 39 - 62)
6. CAPITAL PROGRAMME AND CAPITAL FINANCING (Pages 63 - 80)
7. INTERIM CARBON BUDGET 2011-12 (Pages 81 - 92)

8. BUDGET COUNCIL PROCEDURE (Pages 93 - 98)

9. ANY OTHER BUSINESS

To consider any other business that the Chair accepts as being urgent.

WIRRAL COUNCIL

BUDGET CABINET

21 FEBRUARY 2011

| | |
|-------------------------------------|-------------------------------|
| SUBJECT | COUNCIL BUDGET 2011/12 |
| WARD/S AFFECTED | ALL |
| REPORT OF | DIRECTOR OF FINANCE |
| RESPONSIBLE PORTFOLIO HOLDER | COUNCILLOR JEFF GREEN |
| KEY DECISION | YES |

1.0 EXECUTIVE SUMMARY

- 1.1 This report and appendix forms part of the financial planning process in that it provides Members with the information upon which to consider the Council budget for 2011/12. Members are requested to agree the Council budget and Council Tax levels for 2011/12.
- 1.2 At this stage the Budget Requirement for 2011/12 is in line with the projected income (before any Council Tax increase) for 2011/12

2.0 RECOMMENDATIONS

- 2.1 That the funding of the Early Voluntary Retirement / Voluntary Severance Scheme, including the capitalisation of £3,420,000 in 2010/11, be agreed.
- 2.2 That Cabinet considers the Council Budget for 2011/12 and determines the levels of Council Tax for 2011/12.
- 2.3 That following the agreement of the Budget a further report showing detailed departmental estimates be presented to the Cabinet incorporating the decisions made by Budget Cabinet.
- 2.4 That following the agreement of the Budget for 2011/12 a report be presented updating the future financial projections to further support the Council in planning over the medium term.

3.0 REASON FOR THE RECOMMENDATIONS

- 3.1 There is a legal requirement for the Council to have agreed a sustainable budget and to set Council Tax levels for 2011-12 by 10 March 2011.

4.0 BACKGROUND AND KEY ISSUES

4.1 The annual Council Budget is an integral part of the overall financial management of the Council. The Medium Term Financial Strategy for 2011/15 was agreed by Cabinet on 4 November 2010 and considers issues at a strategic, rather than a departmental or operational, level. Covering more than one year it is subject to an annual review whilst Cabinet receive regular updates throughout the year on issues affecting the financial projections contained within the Strategy. By the 10 March each year the Council has to agree a budget and set Council Tax levels for the following financial year.

4.2 The Director of Finance has a number of statutory responsibilities in relation to agreeing the budget. These can be summarised as:

1. The requirement to ensure that the Council has set a balanced budget under the Local Government Finance Act 1992.
2. The requirement to produce a written report on the robustness of the estimates, adequacy of reserves and impact upon future years budgets' under the Local Government Act 2003.
3. The requirement to ensure that I, as Director of Finance, have adequate resources for the proper administration of the financial affairs of the Council under the Local Government Act 1972.
4. The requirements under the Prudential Code for Capital Finance in Local Authorities 2009 to ensure the funding of capital expenditure is affordable.

4.3 As part of its overview function, the Audit Commission will be looking at financial resilience and will monitor to ensure that the above responsibilities are being met. Given the severe financial constraints across the entire public sector and a period of significant change there will inevitably be increased scrutiny over the robustness of any agreed budget.

4.4 OVERVIEW

4.4.1 The financial projections for future years have been regularly updated and reported to Cabinet throughout the current financial year and Members are now requested to agree the budget for 2011/12. The Government Spending Review announced indicative Formula Grant funding for local government over the next four years. The Local Government Finance Settlement then provided detail for individual local authorities covering a two year period. Cabinet on 17 March 2011 will be requested to consider indicative budgets for future financial years.

4.4.2 The Base Estimate for 2011/12 consolidates the budgets of individual services and the savings considered by Cabinet. Where formal notification has been received regarding the proposed levies these have also been incorporated. More detailed information on outstanding precepts should be available for the meeting.

- 4.4.3 The budgets have again been prepared at out-turn prices. In accordance with the decision of Cabinet on 9 December 2010 no inflation has been included for general prices. Contracts have not received inflation increases with the exception of the gas, electricity and street lighting energy contracts. The energy contract increases include a part year effect in 2010/11. Pay awards have been included in line with Government recommendations i.e. £250 for those earning less than £21,000 per annum and no provision for those above. An increase of 3% has been included for income.
- 4.4.4 Collection of outstanding Council Tax is continuing. Having taken into account previous experience and current collection rates the irrecoverable position has been estimated at 1.5% for 2011/12 which is the same as for 2010/11. Consequently the tax base has been adjusted by the estimated collection rate of 98.5%, as agreed by Cabinet on 9 December 2010.
- 4.4.5 Regular reports have been presented to Cabinet throughout the financial year highlighting the projected financial position for 2011/12 with the most recent being submitted to Cabinet on 13 January 2011. The present position as detailed in the Summary of General Fund Estimates is:-

| Summary | £000 |
|---|-------------|
| Budget Requirement | 291.5 |
| Income before any Council Tax rise | 291.5 |
| Difference between requirement and income | NIL |

- 4.4.6 The Government has stated that it expects to see Council Tax increases of 0% and this was re-affirmed in the announcement of the Local Government Finance Settlement. A Council Tax Freeze Grant has been introduced paying a grant equivalent to a 2.5% Council Tax increase for those billing authorities who agree a 0% increase.
- 4.4.7 Estimated General Fund balances at 31 March 2011 are £10.8 million and the Council will be expected to set a budget for 2011/12 leaving a minimum of £6 million in balances. This figure is lower than the £6.5 million required for 2011/12 because of the reduced level of Council spending and is the minimum level deemed necessary having regard to the financial position of, and the pressures facing, the Council as highlighted in the Medium Term Financial Strategy.

4.5 FINANCIAL YEAR 2010/11

- 4.5.1 Since setting the budget for 2010/11 a number of changes have taken place. The Government Budget in June 2010 resulted in reductions in funding to local authorities. For Wirral there was a reduction in Area Based Grant funding and the cessation of the Local Area Agreement Reward Grant and the Local Authority Business Growth Incentive Grant. The proposed Personal Care at Home scheme planned for October 2010 was also ceased.

4.5.2 In response to the funding changes expenditure reductions were made to Area Based Grant funded programmes whilst the loss of the LAA and LABGI grants was met from balances. Minor variations have been made to budgets during the year including for increased energy costs.

4.5.3 A number on internal variations between departments have been made which reflect agreed changes to the departmental structures primarily flowing from the decision to re-allocate the functions of the former Regeneration Department to other departments. These will be reflected within the detailed estimates report to be presented to the Cabinet.

4.5.4 A summary of the main changes from the Base Estimate for 2010/11 to the Current Estimate for 2010/11 is as follows:-

| Details | £million | £million |
|--|-----------------|-----------------|
| Base Estimate 2010/11 | | 331.8 |
| Increased expenditure/reduced income | | |
| LABGI/LAA Reward (former grant) | 1.6 | |
| Energy | 0.2 | |
| Fostering costs | <u>0.1</u> | +1.9 |
| Reduced expenditure / increased income | | |
| Area Based Grant Funded Expenditure | 3.9 | |
| Personal Care at Home | <u>2.6</u> | -6.5 |
| Impact on balances | | |
| Reduced contribution / Reduction in balances | | -0.6 |
| Current Estimate 2010/11 | | 326.6 |

4.5.5 The latest projections for the current financial year, based upon the position at 31 January 2011 are included within the Summary of General Fund Estimates. Efforts continue to contain spend within the departmental budgets and no adjustments have been agreed in respect of the following potential variations and pressures which, if they do occur, would impact on balances:-

| Department / potential variation | £million |
|--|-----------------|
| Adult Social Services | +3.5 |
| Essentially pressures on community care services | |
| Children and Young People | +1.8 |
| Residential and Foster Care placements | |
| Technical Services | +1.4 |
| Income shortfalls and £0.5 million of winter maintenance | |
| Finance | -0.7 |
| Management of cash flow and increased interest receipts | |

4.5.6 During the year a range of measures were implemented under the 'Every Pound Matters' agenda. These included restrictions in filling vacant posts, cessation of any first class travel and on authorisation of expenditure over £100. Chief Officers have identified in-year savings from these initiatives totalling £2.7 million at the end of January. This has been used to offset spending pressures particularly within the Departments of Adult Social Services, Children and Young People and Technical Services.

4.6 FINANCIAL YEAR 2011/12

4.6.1 A summary of the main changes from the Base Estimate for 2010/11 to the Base Estimate for 2011/12 is:-

| Details | £million | £million |
|---|-------------|-------------|
| Budget Requirement 2010/11 | | 331.8 |
| Adjustments for | | |
| One-off use of balances | +4.2 | |
| LABGI/LAA Reward Grant | +1.6 | |
| Personal Care at Home | - 2.6 | |
| Back-log maintenance (one-off) | -1.2 | |
| Policy Options 2010/11 only | <u>-2.6</u> | <u>-0.6</u> |
| Revised Budget Requirement | | 331.2 |
| Increased requirements | | |
| Housing Benefits | 2.9 | |
| Economy and Regeneration | 2.1 | |
| Efficiency Investment Budget | 2.0 | |
| Capital financing | 1.9 | |
| Merseytravel | 1.5 | |
| Cultural Services - Recreation | 1.5 | |
| Home Insulation | 1.0 | |
| Early Intervention Grant activities | 1.0 | |
| One Stop Shops | 0.9 | |
| Pension Fund | 0.8 | |
| Pay Inflation | 0.8 | |
| Former Regeneration Department Services | 0.8 | |
| Carbon Reduction Commitment | 0.5 | |
| Energy Contracts | 0.3 | |
| Private Finance Initiative | 0.3 | |
| Other requirements | <u>1.0</u> | +19.3 |
| Reduced requirements | | |
| Efficiencies (see detail in Appendix) | 40.6 | |
| Working Neighbourhood Fund | 8.7 | |
| Housing Benefits | 3.1 | |
| Waste Disposal Authority Levy | 1.1 | |
| Income Inflation | <u>1.0</u> | -54.5 |
| Council Tax Freeze Grant | | -3.3 |
| Contribution from Balances | | -1.2 |
| Budget requirement 2011/12 | | 291.5 |

4.6.2 The Efficiency Investment Budget is allocated by Cabinet towards those schemes that will assist in the delivery of efficiencies. The items approved by Cabinet in the 2010/11 financial year are detailed in Appendix A.

4.6.3 The one year only Policy Options agreed for the 2010/11 financial year have been deleted from the Base Estimate 2011/12 and are detailed in Appendix A.

4.7 EARLY VOLUNTARY RETIREMENT / VOLUNTARY SEVERANCE

4.7.1 Cabinet on 9 December 2010 agreed savings of £24.3 million from the Early Voluntary Retirement / Voluntary Severance Scheme. This was prior to the announcement of the Provisional Local Government Finance Settlement for 2011/13; subject to individuals confirming their acceptance; and a review by Chief Officers which included an assessment of the cost of any necessary restructurings.

4.7.2 The figures below are based on 1,100 individuals leaving the Council between December 2010 and June 2011. Based upon the latest information available, and recognising that the figures will change as a result of those individuals having to formally agree to leave, the projected costs and financing are:-

| Details | 2010/11 £million | 2011/12 £million |
|-----------------------------------|-----------------------------|-----------------------------|
| Cost of severance payments | 12.8 | 8.8 |
| Funding from Capital | | |
| Statutory redundancy element | 3.4 | *3.0 |
| Funding from Revenue | | |
| From part year savings | 1.9 | 0 |
| From pay provision not required | 1.4 | 1.4 |
| From Efficiency Investment Budget | 3.5 | 0 |
| From General Balances | 2.6 | 4.4 |
| Funding | 12.8 | 8.8 |

* Assumed capitalisation bid to be submitted to the Government for 2011/12. There will be no further opportunity to bid for capitalisation in 2010/11.

4.7.3 The saving from the leavers under the Early Voluntary Retirement / Voluntary Severance scheme will increase to £27 million per year after the cost of the pensions have been met.

4.7.4 The costs of re-structurings are being assessed by Chief Officers.

4.8. LOCAL GOVERNMENT FINANCE SETTLEMENT

4.8.1 Whilst the Government Spending Review 2010 set out the plans at a high level for the next four years the Local Government Finance Settlement now details the Government grant support over two years for individual local authorities.

4.8.2 The Provisional Settlement for 2011/13 was announced by the Department for Communities and Local Government (DCLG) on 13 December 2010 and was reported to Cabinet on 13 January 2011. Following the consultation period the Final Settlement was announced on 31 January 2011 and debated in Parliament on 9 February 2011. This confirmed the earlier announcement with only minor adjustments.

4.8.3 The allocation of Formula Grant is through a 'four block model':-

- Relative Needs - This block is based upon formulae that cover seven different blocks and is designed to reflect the relative needs of individual local authorities in providing services.
- Relative Resources - This is a negative figure, which takes account of the fact that areas that can raise more income locally require less support from Government to provide services. It seeks to recognise the differences in the local income that individual Councils have the potential to raise.
- Central Allocation - Once the Relative Needs and Relative Resources have been taken into account, the Government distributes the balance of the overall grant available to local authorities on a per capita basis.
- Floor Damping - The mechanism for damping grant changes from year-to-year.

4.8.4 As detailed in the report to Cabinet on 13 January 2011, and subsequently confirmed by the DCLG the Local Government Finance Settlement included for Wirral:-

| Components | 2011/12 | 2012/13 |
|--------------------|-----------|-----------|
| | £ million | £ million |
| Relative Needs | 130.8 | 120.3 |
| Relative Resources | -31.1 | -28.7 |
| Central Allocation | 42.5 | 37.7 |
| Floor Damping | 3.0 | 2.0 |
| Grants Rolled In | 13.6 | 13.5 |
| Final Grant | 158.8 | 144.8 |

4.8.5 As some areas are more reliant upon Government Grant support than others to mitigate the year-on-year changes a damping mechanism has been applied. For the Settlement local authorities are grouped into four bands which are based upon the percentage of the Budget the authority receives from the Government in Formula Grant. Locally Liverpool and Knowsley have been placed in Band 1 and the reduction 'damped' at 11.3% for 2011/12 with St. Helens, Sefton and Wirral placed in Band 2 and the reduction 'damped' at 12.3% for 2011/12.

4.8.6 In line with the Spending Review announcements there have been significant reductions in the level of other grants. Area Based Grant (ABG) which was worth £41 million to Wirral in 2010/11 has ceased although some elements of ABG and of other Specific Grants have been rolled into Formula Grant. The Dedicated Schools Grant remains a Specific Grant to provide funding to Schools and the full allocation has been included within the Schools Budget 2011/12. It now includes grants totalling £34 million that were previously paid as separate grants. At this stage only figures for 2011/12 have been announced.

| | | |
|-------------------------|----------|----------|
| Dedicated Schools Grant | 2010/11 | 2011/12 |
| | £million | £million |
| Based on pupil numbers | 194.0 | 229.4 |

4.8.7 In the Settlement the Government makes reference to local authorities 'Spending Power'. This is comprised of Formula Grant, Other Grants, Council Tax Freeze Grant, Council Tax receipts and National Health Service support. The latter relates to funding provided for health related care services. It was announced within the Final Local Government Finance Settlement that annual reductions in local government financing will not exceed 8.8% of Spending Power.

4.8.8 In respect of the National Health Service support further information has now been received. This is funding that has been allocated to health authorities but has to be paid to local authorities for spending on jointly agreed initiatives for health related care services. At this stage the income has not been built into the Estimates 2011/12 as the use of the funding has still to be agreed.

| | | |
|------------------------------|----------|----------|
| Spending Power | 2011/12 | 2012/13 |
| | £million | £million |
| Health related care services | 4.9 | 4.7 |

4.8.9 The Government has set aside funding to enable every local, police and fire and rescue authority to be able to freeze Council Tax in 2011/12. This Council Tax Freeze grant is equivalent to the revenue that would have been raised by a 2.5% Council Tax increase. Authorities applying any increase will not receive the grant and the Government reserves the right to take capping action against excessive increases. For 2011/12 it will be excessive if the 2011/12 budget requirement is greater than 92.5% of the 2010/11 budget requirement and the Band D Council Tax increase is more than 3.5% in 2011/12. The Localism Bill published in December 2010 includes provision for the abolition of capping and instead to introduce a referendum to allow local people to approve or veto excessive Council Tax rises. It is expected to be in force from 2012/13.

4.9. COLLECTION FUND

4.9.1 The Collection Fund is a separate fund for the collection and distribution of amounts in respect of Council Tax and National Non-Domestic Rates. The anticipated collection rate is 98.5% and collection above this rate generates a surplus for distribution whilst any under-performance has to be recovered from the Council and the precepting authorities.

4.9.2 The Collection Fund for the year ending 31 March 2011 was reported to Cabinet on 13 January 2011 and is estimated to be in a balanced position. The collection rate is in line with the 2009/10 performance and is on target and I continue to monitor collection performance. As a consequence no surplus or deficit will be received by, or charged to, the General Fund for 2010/11. Cabinet on 9 December 2010 amended the discounts for empty properties which should result in additional income of £1.6 million during 2011/12 of which £1.3 million is due to the Council.

4.10. TAX BASE

4.10.1 The tax base is the number of properties in Bands A-H in the Borough expressed as an equivalent number of Band D units. The distribution of the Formula Grant takes into account the Council Tax base of an authority.

4.10.2 The tax base used in the calculation was reported to Cabinet on 9 December 2010. The tax base of 106,475.8 is adjusted by the estimated collection rate of 98.5% to give an adjusted tax base of 104,879. It is this figure that is used in calculating the Council Tax and the 2010/11 figure shows an increase of 0.2% on the 2010/11 figure.

| Council Tax Band | | Properties | Discounted Dwellings | Band Ratio | Band D Equivalent |
|--|-----------------|------------|----------------------|------------|-------------------|
| A | Up to £40,000 | 58,757 | 47,717.50 | 6/9 | 31,811.7 |
| B | £ 40 - £ 52,000 | 31,041 | 27,151.25 | 7/9 | 21,117.6 |
| C | £ 52 - £ 68,000 | 27,207 | 24,378.75 | 8/9 | 21,670.0 |
| D | £ 68 - £ 88,000 | 13,028 | 11,846.25 | 9/9 | 11,846.3 |
| E | £ 88 - £120,000 | 8,039 | 7,400.00 | 11/9 | 9,044.4 |
| F | £120 - £160,000 | 4,273 | 3,957.25 | 13/9 | 5,716.0 |
| G | £160 - £320,000 | 3,101 | 2,857.00 | 15/9 | 4,761.7 |
| H | Over £320,000 | 271 | 228.50 | 18/9 | 457.0 |
| | | 145,717 | | | 106,424.7 |
| Add : contributions for Government dwellings | | | | | 0.0 |
| Add : Band A Disabled Relief Band D equivalent | | | | | 51.1 |
| Total Council Tax Base 2011/12 | | | | | 106,475.8 |
| Estimated Collection Rate | | | | | x 98.5% |
| Adjusted Council Tax Case 2011/12 | | | | | 104,879 |
| Adjusted Council Tax Base 2010/11 | | | | | 104,690 |

4.11. BALANCES

4.11.1 The budget for 2010/11 was set leaving £6.5 million in balances and the anticipated balances at 31 March 2011 can be summarised below: -

| | £million | £million |
|---|------------|----------|
| Actual Balances at 1 April 2010 | | 10.7 |
| Less | | |
| Used to support 2010/11 budget | 4.2 | |
| Used to support EVR / VS Scheme 2010/11 | 2.6 | |
| Foster Care inflation | <u>0.1</u> | -6.9 |
| Add | | |
| Additional following completion of 2009/10 accounts | 3.0 | |
| Personal Care at Home initiative ceased | 1.0 | |
| Contributions from | | |
| Insurance Fund | 3.4 | |
| Balance Sheet Management Review | <u>1.2</u> | +8.6 |
| Other Variations | | |
| Reduction in Government Grants | -5.5 | |
| Budget reductions related to Government Grants | <u>3.9</u> | -1.6 |
| Projected Balances at 31 March 2011 | | 10.8 |

4.11.2 Having regard to the statutory guidance and the management, control and risks associated with Council finances the general balance should be set as a minimum at 2% of the net revenue budget. For 2010/11 £6.5 million was the acceptable level of balance. With the reduced level of expenditure budgeted for 2011/12 it would be possible to reduce the general balance to £6 million. Other resources are set aside for specific purposes as provisions and reserves and these are established and used in accordance with the purposes intended. All provisions and reserves are reviewed at least twice a year, most recently by Cabinet on 9 December 2010.

4.12. BUDGET SUSTAINABILITY AND PROJECTED BUDGETS

4.12.1 The Council Medium Term Financial Strategy refers to the pressures being faced at both national and local level as the Council seeks to deliver the objectives as set out in the Corporate Plan. The Government has announced overall funding reductions for local authorities of about 30% over a four year period to 2014/15. A two year Settlement has been announced with a further two year Settlement to be announced following a Local Government Resources Review which the Government intends to complete by July 2011. The Medium Term Financial Strategy has been, and the Council Corporate Plan is being, updated to reflect this period. Future year budget projections are regularly updated and reported to Cabinet to enable the continued meeting of the objectives within the available resources.

4.12.2 When setting previous budgets reference has been made to the pressures faced through the demands for adult and child care services, meeting the waste agenda, responding to climate change and the increasing need to identify, and deliver, efficiencies. Last year this included responding to the impact of the recession. The restrictions to public sector financing to assist in reducing the public debt as set out in the Government Spending Review places significant pressure upon the financial position of the Council.

4.12.3 The Council continues to identify savings, often requiring difficult decisions. The consultation exercise Wirral's Future - Be A Part of It has been important in shaping future priorities and identifying efficiencies. The Government has abolished a number of performance targets including those around efficiencies. The economic situation and Finance Settlement require local authorities to find substantial efficiencies. The overall position, and actions required, will form part of the next Medium Term Financial Strategy and Cabinet will continue to be updated on a regular basis as these actions are developed.

4.13 CORPORATE, DEPARTMENTAL AND FINANCIAL PLANS

4.13.1 A revised Corporate Plan should be submitted to Cabinet on 17 March 2011. The Plan will detail the strategic goals, how we will deliver them and how we will measure performance. The Wirral's Future - Be A Part of It consultation has again been important in revising the Corporate Plan.

4.13.2 The Corporate Plan will be supported by departmental plans that provide further detail of those responsible for delivering the Corporate Plan objectives.

4.13.3 The Council Budget shows how resources are used to deliver the Plan and updated Estimates will be presented to Cabinet to reflect the agreed Budget 2011/12. This will show departmental budgets and also include details of the Insurance Fund, Capital Programme, Schools and Carbon Budgets.

4.14. REVENUE ESTIMATES

4.14.1 This report identifies the latest position regarding the draft Budget for 2011/12 including the impact of the Local Government Finance Settlement, agreed growth and savings. The position is reflected in the Summary of General Fund Estimates - Gold Sheet.

4.14.2 Appendix A contains the summary revenue estimates together with details of agreed savings, treatment of Policy Options and use of the Efficiency Investment Budget.

5.0 RELEVANT RISKS

5.1 In considering the annual budget the main financial risks are:-

| Risk | Actions to mitigate the risk |
|---|---|
| Savings not delivered | Appraisal / identification of issues at outset. Regular monitoring of all budgets. Revised Governance arrangements for the Change Programme. Use of balances to offset unplanned variations. |
| Savings lead to unplanned service impacts | Corporate Plan / Departmental plans clear on aims. Service impact assessments of EVR/VS scheme. Service re-provision arrangements. |
| Service spend under-estimated (impact of demand lead areas) | Regular monitoring of volatile budget areas. Use of balances to meet unplanned variations. |
| Government grant funding is not as expected | Lobbying of Government with support groups. Settlement only covers 2 years with 4 year overview. Medium Term Financial Plan includes for regular Budget Projections updates. |
| Inflation levels vary from those projected | Pay awards and proposals are predicted. Use of balances to meet unplanned variations. |
| Balances are insufficient | Set at recommended level. Regular monitoring and twice yearly review. |
| Income from Council Tax below expected levels | Annual review of tax base. Monitoring of collection rates. |

6.0 OTHER OPTIONS CONSIDERED

6.1 There are none to be considered in respect of this report.

7.0 CONSULTATION

7.1 The major consultation exercise Wirral's Future - Be A Part of It was fundamental in shaping future priorities and identifying efficiencies. The consultation is informing both the Corporate Plan and the supporting financial plan.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are no direct implications for these groups from this report.

9.0 RESOURCE IMPLICATIONS

FINANCIAL

9.1. The financial implications are detailed within the report.

STAFFING

9.2. There are no direct staffing implications arising from this report.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising directly from this report.

11.2 Equality Impact Assessment (EIA) is not required for this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

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APPENDIX

Draft Summary Revenue Estimates 2011/12.

REFERENCE MATERIAL / SUBJECT HISTORY

| Council Meeting | Date |
|---|------------------|
| Cabinet - Provision Local Government Finance Settlement 2011/13 | 13 January 2011 |
| Cabinet - Budget Projections 2011/13 (latest update) | 13 January 2011 |
| Cabinet - Collection Fund | 13 January 2011 |
| Cabinet - Tax Base 2011-12 | 9 December 2010 |
| Cabinet - Balance Sheet Management | 9 December 2010 |
| Cabinet - Insurance Fund Budget 2011-12 | 25 November 2010 |
| Cabinet - Medium Term Financial Strategy 2011/15 | 4 November 2010 |

WIRRAL COUNCIL

SUMMARY OF GENERAL FUND ESTIMATES

| | BASE ESTIMATE 2010/11 £ | CURRENT ESTIMATE 2010/11 £ | BASE ESTIMATE 2011/12 £ |
|---|----------------------------------|-------------------------------------|----------------------------------|
| EXPENDITURE | | | |
| Departmental budgets | 309,262,300 | 303,322,200 | 266,299,700 |
| Merseytravel | 27,344,000 | 27,344,000 | 28,817,000 |
| Local Pay Review | 1,130,800 | 956,300 | 956,300 |
| LABGI Grant | (200,000) | 0 | 0 |
| LAA Grant | (1,400,000) | 0 | 0 |
| Council Tax Freeze Grant | 0 | 0 | (3,285,000) |
| Contribution to fund EVR / VS Scheme | 0 | 2,600,000 | 4,400,000 |
| Net budget | 336,137,100 | 334,222,500 | 297,188,000 |
| Contribution from balances | (4,354,000) | (4,994,400) | (1,244,000) |
| Contribution from balances (EVR / VS) | 0 | (2,600,000) | (4,400,000) |
| BUDGET REQUIREMENT | 331,783,100 | 326,628,100 | 291,544,000 |
| INCOME | | | |
| Revenue Support Grant | 20,016,300 | 20,016,300 | 37,498,000 |
| National Non Domestic Rate | 137,844,200 | 137,844,200 | 121,312,000 |
| Area Based Grant | 42,725,000 | 37,570,000 | 0 |
| Council Tax Income | 131,197,600 | 131,197,600 | 131,434,000 |
| Collection Fund Surplus | 0 | 0 | 1,300,000 |
| TOTAL INCOME | 331,783,100 | 326,628,100 | 291,544,000 |
| STATEMENT OF GENERAL BALANCE | | | |
| General Balance at 1 April | 10,723,000 | 10,723,000 | 10,795,600 |
| Adjustment (following 2009/10 outturn) | 0 | 3,035,000 | 0 |
| Contribution from Insurance Fund | 0 | 3,400,000 | 0 |
| Contribution from Reserves / Provisions | 0 | 1,232,000 | 0 |
| Budgeted contribution | (4,354,000) | (7,594,400) | (5,644,000) |
| GENERAL BALANCE AT 31 MARCH | 6,369,000 | 10,795,600 | 5,151,600 |

WIRRAL COUNCIL
SAVINGS AGREED 2011/12

| Department and scheme | £000 |
|--|---------------|
| Adult Social Services | |
| Employees under EVR/VS Scheme | 10,528 |
| Market Management Review | 5,368 |
| Reprovision Respite and Interim Care | 498 |
| Area Based Grant | 50 |
| Transport | 130 |
| Children and Young People | |
| Employees under EVR/VS Scheme | 5,343 |
| Area Based Grant | 1,799 |
| Transfer Extended Schools | 87 |
| Contribution to Healthy Schools | 94 |
| Family Group Conferencing | 70 |
| Early Intervention Grant (net) | 572 |
| Corporate Services | |
| Employees under EVR/VS Scheme | 892 |
| Area Based Grant | 2,531 |
| Working Neighbourhood Fund | 239 |
| Finance | |
| Employees under EVR/VS Scheme | 3,511 |
| Procurement (to be allocated over departments) | 2,000 |
| Printing Review (to be allocated over departments) | 250 |
| Electronic Payment Development | 200 |
| Discretionary Rate Relief | 337 |
| Insurances | 526 |
| Reduction in Capital Financing | 370 |
| Law, HR and Asset Management | |
| Employees under EVR/VS Scheme | 1,634 |
| Transfer and disposal of Assets | 481 |
| Office Rationalisation | 368 |
| Energy Efficiency | 80 |
| Area Based Grant | 2 |
| Technical Services | |
| Employees under EVR/VS Scheme | 2,096 |
| Parks Procurement | 200 |
| Traffic Management | 150 |
| Highways Asset Management System | 100 |
| Street Lighting | 50 |
| Area Based Grant | 66 |
| Total Savings | 40,622 |

WIRRAL COUNCIL

EFFICIENCY INVESTMENT BUDGET

The Efficiency Investment Budget allocated by Cabinet towards those schemes that will assist in the delivery of efficiencies and comprise both 'one-off' items as well as permanent changes to departmental budgets. The following were approved by Cabinet in the 2010/11 financial year:-

| Department and scheme | 2010/11 £ |
|---|----------------------|
| Adult Social Services | |
| Reform Team | 518,000 |
| Assistive Technology | 1,000,000 |
| Children and Young People | |
| Family Group Conferencing | 138,000 |
| Building Schools for the Future | 100,000 |
| Corporate Services | |
| No Schemes | 0 |
| Finance | |
| Procurement Team | 1,365,000 |
| Customer Services Team | 261,000 |
| VAT Recovery | 58,000 |
| Strategic Change Programme Auditor | 43,000 |
| Invoice Automation System | 28,000 |
| Law, HR and Asset Management | |
| No Schemes | 0 |
| Technical Services | |
| Change Team | 676,000 |
| Energy Efficiency | 188,000 |
| Parks and Country Services Procurement Exercise | 150,000 |
| EVR / VS Scheme 2010/11 | 3,475,000 |
| Total Budget | 8,000,000 |

WIRRAL COUNCIL
POLICY OPTIONS 2010/11

The following were agreed for 2010/11 only when setting the 2010/11 Budget.

| Department and scheme | £ | Actions |
|--|------------------|---|
| Adult Social Services | | |
| Assistive Technology | 400,000 | One-off support whilst savings delivered. The scheme is now under review. |
| Corporate Services | | |
| You Decide (winter resilience) | 55,000 | Cabinet on 13 January 2011 agreed winter resilience budget for 2011/12. |
| Apprentices | 500,000 | Cabinet on 9 December 2010 agreed funding for schemes. |
| Community Transfers | 1,362,000 | Leasowe and Guinea Gap are now in the Base Budget. |
| Coordination of Ethnic Minority Services | 30,000 | Council support for the post was for 2010/11 and 2011/12. |
| Finance | | |
| Get Into Reading | 100,000 | Pilot project with resources for 2010/11 only. Project still to be concluded. |
| Law, HR and Asset Mgt | | |
| Energy Grants | 66,000 | One-off funding made available to support community groups. |
| Alcohol Harm (preventing under age sales) | 40,000 | One-off funding to maintain scheme in 2010/11. |
| Technical Services | | |
| Promotion of Carbon Reduction | 30,000 | One-off funding to set-up the web-tools which have been widely promoted in 2010/11. |
| Total | 2,583,000 | |

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Agenda Item 4

WIRRAL COUNCIL

CABINET

21 FEBRUARY 2011

| | |
|-------------------------------------|--|
| SUBJECT | SCHOOLS BUDGET 2011/12 |
| WARD/S AFFECTED | ALL |
| REPORT OF | INTERIM DIRECTOR OF CHILDREN'S SERVICES |
| RESPONSIBLE PORTFOLIO HOLDER | COUNCILLOR SHEILA CLARKE |
| KEY DECISION | YES |

1.0 EXECUTIVE SUMMARY

This report recommends the approval of a Schools Budget for 2011/12 of £229,403,700. The budget requires a number of changes to the local management of school funding formula and a new Early Years Single Funding Formula. Reports on these areas were presented to the Schools Forum on 25 January 2011. The resolutions are attached as Appendix 1. The Schools Forum reports are available on the Council's intranet.

2.0 RECOMMENDATION/S

2.1 Taking account of the views of the Schools Forum that:

- The Schools Budget is approved at the sum of £229,403,700.
- The DSG reserve of £742,025 is used to meet backdated harmonisation costs in schools.
- The Excess Balance Reserve of £136,934 is also used for this purpose.
- The increase in contributions to combined budgets including Harmonisation back pay £450,000, Local Children's Safeguarding Board £6,000, School Sports Partnership £25,000 and Discretionary Rate Relief £270,000 are noted.
- The budget for schools includes provision for pay harmonisation "going forward" for support staff totalling £1,057,000.

2.2 Changes to the local funding formula are agreed for:

- Grants estimated at £32.2 million, which are to be consolidated into the formula using the previous grant make up and the latest data available.
- An Early Years Single Funding Formula be introduced from 1 April 2011 using a single base rate for all providers together with a number of specific supplements for deprivation, quality, flexibility and a headteacher supplement (for Nursery Schools only).
- That the operation of the formula be reviewed during 2011/12.

3.0 REASONS FOR RECOMMENDATION/S

- 3.1 The Council is required to set a Schools Budget for 2011-12. The Schools Budget is allocated to schools using a formula, which must be updated to take account of changes in the distribution of grants to schools.
- 3.2 Local Authorities must implement an Early Years Funding Formula for all providers of Early Years Education.

4.0 BACKGROUND AND KEY ISSUES

4.1 Schools Budget 2011/12

The overall schools funding settlement is for one year only. Funding will be maintained at "flat cash" per pupil without any inflationary increases until 2014/15. This as expected is a significant move away from the real terms growth in funding of recent years.

4.1.1 Pupil Premium

The Pupil Premium is a new and separate grant to be allocated in full to schools. The Premium will provide additional funding for deprived pupils. It is set at £430 for each pupil eligible for free school meals. A similar premium is also payable in respect of Looked After Children and Service Children (although the latter group will be funded at £200). An initial estimate calculates the premium to be £5 million for Wirral Schools in 2011/12.

4.1.2 Dedicated Schools Grant (DSG)

The estimated level of DSG for Wirral is:

| Guaranteed Unit of Funding (GUF) | GUF | GUF | Estimated Pupil | DSG |
|----------------------------------|--------|----------|-----------------|-------------|
| 2010/11 | Grants | Total | Numbers | 2011/12 |
| £ | £ | £ | £ | £ |
| 4,268.56 | 759.83 | 5,028.39 | 45,621.7 | 229,403,700 |

The current distribution method for the DSG has been maintained. In addition many grants that were previously paid separately have been mainstreamed within DSG. The inclusion of grants requires changes within the local schools funding formula. Grants included within the ISB total £32,173,200 and held centrally total £2,373,700.

4.1.3 Minimum Funding Guarantee (MFG)

The Secretary of State announced that the MFG would continue in 2011/12, protecting schools from changes in funding resulting from fewer pupils and formula changes. The MFG has been set at minus 1.5% per pupil.

4.1.4 Reduced Central Expenditure £1,462,000

Central SEN costs are reducing. Budgets for 2011/12 have been reduced by £639,000 Part of these reductions will be used to fund the outreach work at Gilbrook and also a Complex Social Care Team. Other reductions include:

- Behaviour Support £185,000.
- School Meals Service £102,000.
- Standards Fund £32,000.
- Early Voluntary Retirement/Severance £442,400.

4.1.5 Increased Central Expenditure £1,139,000

Area Based Grants (£493,200 in 2010/11) supporting a wide range of Education and Children's Services initiatives have ceased in 2011/12. Where programmes are required to continue within the Schools Budget they have been funded from DSG. Other increases include:

- Pay Harmonisation Back Pay £450,000.
- Local Safeguarding Children's Board £6,000.
- School Sports Partnerships Coordination £25,000.
- Contribution to Discretionary Rates Relief £270,000.

4.2 Schools Funding Formula

The local funding formula for schools needs to be amended with effect from 1 April 2011 for the consolidation of grant funding. Schools and academies were asked for their views in the Autumn Term on proposed changes. The vast majority of schools would prefer to keep the existing grants within the formula, without any redistributive changes. This is proposed initially for one year, using Regulations that permit the previous grants to be used as new elements within the local formula.

Other changes to the formula include:

- A lump sum factor for Gilbrook Outreach Behaviour Support Service within the Special School Formula.
- Adjustment to all formula factors for additional funding for schools to contribute to Pay Harmonisation costs.
- Updating the formula for elements fixed over the last three-year funding period e.g. Free School Meals, using the most recent data available and maintaining the percentage of the budget allocated to each element.
- Removal of Nursery schools and Primary school nursery classes. These will no longer be funded from the LMS formula but will receive funding described below.

4.3 Early Years Single Funding Formula (EYSFF)

Authorities are required to introduce a single funding formula covering all providers of early education for the free 15-hour entitlement for 3 and 4 year olds. The EYSFF will apply to maintained nursery schools (3), nursery classes (43), and private, voluntary and independent providers (120).

The formula proposed will make payments based on the attended hours of each child at each setting. Place funding or funding based on one census count will not be permitted in future. The formula recommended to the Schools Forum uses a single base rate for all, together with a number of specific supplements for deprivation, quality, flexibility and headteacher costs (nursery schools only). Overall there are only 5 providers (including 3 nurseries) who would lose funding compared to current levels. The formula contains a Minimum Funding Guarantee and a 3 year transitional protection provision for 90%, 85% and 80% of previous funding. The hourly rates payable and estimated budgets are shown in the Forum Report.

5.0 RELEVANT RISKS

- 5.1 These formula changes enable budgets to be distributed to schools in a way that maximises stability and takes account of DFE regulations.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 Consideration was given to distributing grants using other formula factors, these are not recommended at this time, since they would introduce turbulence and uncertainty into the budgets schools would receive.

7.0 CONSULTATION

- 7.1 Schools and academies were consulted on changes to the local funding formula. Nursery and Primary Schools and PVI Providers were consulted in the introduction of the EYSFF.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 All Providers of Early Years Education will be paid using a single funding formula.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 9.1 The financial implications are described in the report. IT, staffing and asset implications may arise from changes in pupil numbers and the level of funding.

10.0 LEGAL IMPLICATIONS

- 10.1 The formula changes described meet the requirements to introduce an EYSFF.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising from this report.

11.2 Equality Impact Assessment (EIA) is not required for this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising from this report. It should be noted that schools will incur carbon reduction charges from 2011/12.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising from this report.

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APPENDICES

Appendix 1 Schools Forum Resolutions items 6,7,8,9

REFERENCE MATERIAL

School Funding Allocations 13 December 2010.

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|---|-------------------|
| Wirral Schools Forum | |
| Proposed changes to LMS Funding Formula to Schools 2011/12 Future funding of Gilbrook Outreach Implementation of the Early Years Single Funding Formula Schools Budget 2011/12 | 25 January 2011 |
| Early Years Single Funding Formula Update Consultation on proposed changes to LMS Funding Formula to Schools | 29 September 2010 |

WIRRAL SCHOOLS FORUM

TUESDAY 25 JANUARY 2011

Extract of Draft Minutes

6. PROPOSED CHANGES TO LMS FUNDING FORMULA FOR SCHOOLS 2011/12

Mr Roberts summarised his report on the proposed changes to the LMS funding formula.

The Government consultation in September required some local changes. Wirral schools were consulted on these changes, and the outcome of the consultation is recorded in the paper.

Mrs Cogan commented that harmonisation is difficult for Foundation Schools who directly employ their staff as this has not gone through as law yet. These schools who also have very few TAs do not wish to contribute to harmonisation costs.

Resolved

(With 1 abstention) That the Forum agree the referral of these local formula changes to Cabinet for approval.

7. FUTURE FUNDING OF GILBROOK OUTREACH SUPPORT

Mr Bulmer presented his report on the future funding of the outreach service from Gilbrook School.

Following the agreement of the Forum in September that the outreach service should be funded centrally, schools were consulted on the proposals. All except one supported the scheme.

As there will be no additional headroom money in the 2011/12 settlement, the central SEN budget will be used.

Staff at Gilbrook will now define their service to all schools, detailing the support available and the eligibility threshold for children. The service will be visited by the Ofsted team next week who are currently inspecting children's services in the local authority.

Mr Armstrong reported that Gilbrook School has been relocated to the Arrowe Hill Primary site, providing outdoor space for pupils and space to locate the new service.

8. IMPLEMENTATION OF THE EARLY YEARS SINGLE FUNDING FORMULA

Mr Roberts presented his report of the Early Years Single Funding Formula.

The single formula was delayed for 12 months in April 2010 following national and local concerns about the level of funding that nursery schools would receive. The LA has worked closely with the 3 nursery schools to address their concerns, the outcome of which is detailed in the report.

The proposed formula is that same as that presented 12 months ago, with a single base rate and several supplements. The supplements for nursery schools and transitional arrangements have been adjusted.

A flexibility supplement is available for all settings offering provision other than the standard 5 3-hour sessions. So far take-up in Wirral has been limited and this supplement will be reviewed over the next 12 months. Many other local authorities have not included a flexibility factor.

The single formula will be reviewed at the end of the financial year. This will conclude the work of the Steering Group.

Mr Potter queried what would happen at the end of the 3-year transitional period, and whether nursery schools would experience a sharp drop in funding. Mr Roberts confirmed that nursery schools would move to formula funding after the transitional period, and that this should not represent a sharp drop in funding by this point.

Mr Armstrong thanked the Steering Group for their work in developing the formula.

Mr Roberts recorded a correction to the report on page 23 of the papers – the figures for the 3 nursery schools included a grant which had been included twice. Accurate figures will be provided to the nursery schools.

Resolved

- (i) That for Forum note the report.
- (ii) That the views of the Forum on the proposed formula be referred to Cabinet on 21 February 2011.

15. DISCRETIONARY RATE RELIEF

This item was brought forward because it informs the next item on the Schools Budget 2011/12.

Mr Roberts explained that it is proposed to end discretionary school rate relief from April 2011 – this is 12 months earlier than recorded in the report. 80% mandatory rate relief is paid by the government. The remaining 20% is discretionary relief, of which 75% is paid by the local authority and 25% comes from a government grant. Wirral's DRR costs are out of step with those of other local authorities and the Director of Finance has recommended that these should cease.

If DRR is abandoned, the government grant would also cease, and it would cost more to cover the cost of rates. The alternative is for the schools budget to make a contribution to cover the council costs, therefore retaining the government grant.

Mr Armstrong advised that the Forum could vote against this but that the Director of Finance would end DRR next year and the additional costs would have to be paid. By choosing to contribute now there will be less impact on the schools budget.

Resolved

(With 4 abstentions) That the Forum agrees to a contribution to the Discretionary Rate Relief Budget with effect from 2011/12.

9. SCHOOLS BUDGET 2011/12

The settlement for 2011/12 is a one-year settlement as transition to a possible new funding mechanism in 2012/13. It is a flat cash settlement – LAs will receive the same amount per pupil in cash terms as last year. This will apply to 2014/15. In real terms, the value will erode over time – a 10% cut in real terms over the next 3 years.

Pupil premium details have been confirmed and will be paid to schools from 1 April 2011. / The premium is for pupils eligible for Free School Meals, Looked After Children and Service Children. For Wirral, this is an estimated £5million in additional funding. There is likely to be both an increase in the amount of the premium and a broadening of the entitlement in future years.

Mrs Cogan asked if the pupil premium was over and above the current budget or whether deprivation funding would decrease as the pupil premium increased. Mr Roberts advised that the pupil premium is totally separate and there are no proposals to change the formula.

The inclusion of grants within the DSG leaves a balance because equivalent grants allocations now includes Early Years pupils. This additional balance can be used to fund the deprivation supplement in the early years formula.

The MFG is set at -1.5%. It is possible to set a higher MFG, but this is not recommended, as there is no additional headroom money.

The Post-16 budget is expected to decrease by 5%. Funding is on an academic year, so this will have a partial effect in the 2011/12 financial year. Mrs Cogan commented that this would severely affect secondary schools with 6th forms.

Harmonisation costs are estimated at £2.6 million. £2.3 million has been identified so far. There are likely to be additional costs not included in the £2.6 million and there are no further resources to meet these costs. Mr Armstrong reported that discussions are taking place with Finance and the trades unions regarding covering the cost of harmonisation and that a report would be brought to the Forum when the picture was clearer.

The amount retained centrally for ethnic minorities was queried. Mr Roberts explained that this is targeted in specific areas and that historically there has only been a requirement to delegate this to schools when the LA grant reaches a certain level.

Mr Reilly noted that the pupil premium would increase the gap between the highest and lowest funded schools in Wirral. Those secondaries with the lowest levels of Free School Meals would also be losing post-16 funding. There is concern in these schools over jobs. Mr Reilly felt that we should not allow the gap to widen in secondary schools where the costs of delivering an education are similar.

Mr Reilly also commented that the issue of harmonisation is taking a long time to resolve, it was discussed at the September meeting and is still being discussed today. Mr Armstrong agreed, but pointed out that with the potential cost being so significant, discussions needed to be thorough and a lot of effort was being made by all involved.

Mrs Cogan queried the amount set aside for the CLCs when secondary heads at the WASH meeting had voted not to fund them. Mr Armstrong explained that the views of the WASH meeting had been taken into account, but that he had also listened to the views of all schools in requesting stability in budgets for the next year. Stability is needed in all areas pending review. The City Learning Centres are used by pupils in primary and secondary and a proper debate must take place about their future and the potential impact on pupils. The CLCs contain high quality equipment and if the decision is taken not to continue to fund them there must be a plan in place for what will happen to these resources.

Mrs Cogan also queried the centrally retained diploma money. Mr Roberts explained that this is spent by the 14-19 team to provide additional uplift for pupils engaging in the programme.

The Forum were asked to specifically approve items relating to harmonisation, safeguarding and sports partnership.

Resolved

- (i) That the views of the Schools Forum are sought on the Schools Budget for 2011/12 and the level of central costs. The Chair asked for any additional comments to be forwarded to him.
- (ii) (1 against) That the DSG Reserve of £745,025 is used to meet backdated harmonisation costs in schools.
- (iii) (2 against) That the Excess Balance Reserve of £136,934 is also used for this purpose.
- (iv) That the contributions to combined budgets are agreed and increased for (2 against) Pay Harmonisation back pay £450,000, Local Children's Safeguarding Board £6,000, School Sports Partnerships coordination £25,000.
- (v) (2 against) That budgets for schools include provision for pay harmonisation of support staff totalling £1,057,000.
- (vi) That the Schools Budget and the views of the Schools Forum be referred to the budget meeting of Cabinet on 21 February 2011.

SCHOOLS BUDGET

SUMMARY

| | Base Estimate 2011-12 £000 |
|--|----------------------------------|
| Dedicated Schools Grant | 193,995 |
| Transfer of Specific Grants into DSG | 34,665 |
| Other changes | 743 |
| | <u>229,403</u> |
| Base Estimate | 194,489 |
| Change in ISB Costs | |
| Transfer of Specific Grants into School Formula | 32,173 |
| Transfer of Pay Harmonisation costs from contingency | 1,057 |
| Early Years extension and flexibility costs | 2,030 |
| Education Inclusion Bases | 56 |
| Net Falling Rolls | (1,360) |
| Growth: Early Years Deprivation Funding | 200 |
| Gilbrook Outreach | 150 |
| | <u>34,306</u> |
| Changes in Central Costs | |
| Transfer of Grants into Centrally Managed areas | 2,374 |
| Transfer of Pay Harmonisation costs from contingency | (1,057) |
| Pay Inflation | 107 |
| Budget Savings: | |
| SEN, Statements and Independent Residential | (639) |
| EVR - SEN, MEAS and Admissions | (442) |
| School Meals | (164) |
| Behaviour Support (Ex Area Based Grant) | (185) |
| Standards Fund Match Funding | (32) |
| Growth | |
| Licences | 15 |
| Complex Social Care Team | 70 |
| Restructure costs | 80 |
| Sports coordination | 25 |
| LSCB contribution | 6 |
| Harmonisation back pay | 450 |
| | <u>608</u> |
| | <u>229,403</u> |

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SCHOOLS BUDGET SUMMARY - SUBJECTIVES

| | 2010-11 Original | 2011-12 Original |
|------------------------------------|----------------------|----------------------|
| Expense | £ | £ |
| Employees | 48,118,700 | 12,814,200 |
| Premises | 2,492,400 | 2,357,000 |
| Transport | 61,300 | 72,400 |
| Supplies and Services | 7,365,400 | 2,961,700 |
| Third Party Payments | 198,109,000 | 234,250,200 |
| Transfer Payments | 1,690,000 | 3,325,500 |
| Support Services | 1,842,300 | 1,680,300 |
| Expense Total | 259,679,100 | 257,461,300 |
| Income | | |
| Government Grants | (230,690,800) | (229,850,700) |
| Other Grants and Reimbursements | (23,371,700) | (21,961,400) |
| Customer and Client Receipts | (1,793,800) | (1,679,100) |
| Recharge to Other Revenue Accounts | (3,329,600) | (3,970,100) |
| Income Total | (259,185,900) | (257,461,300) |
| Grand Total | 493,200 | 0 |

SCHOOLS BUDGET OBJECTIVE SUMMARY

| | 2010-11 Original £ | 2011-12 Original £ |
|--|-----------------------|-----------------------|
| Dedicated Schools Grant | (193,995,400) | (229,403,700) |
| Schools | | |
| Early Years | 0 | 10,104,500 |
| Nursery Schools | 1,144,000 | 0 |
| Primary Schools | 78,521,300 | 89,116,400 |
| Secondary Schools | 79,070,600 | 95,567,100 |
| Special Schools | 14,285,500 | 16,000,700 |
| Schools Total | 173,021,400 | 210,788,700 |
| Non Delegated School Costs | | |
| Admissions | 459,300 | 412,900 |
| Advanced Skills Teachers | 0 | 359,200 |
| City Learning Centres | 0 | 814,700 |
| Contributions to Combined Budgets | 442,100 | 923,100 |
| Early Years | 4,738,000 | 562,000 |
| Education Out Of School | 243,700 | 246,200 |
| Independent Special School Fees | 2,902,000 | 2,765,200 |
| Insurances | 65,400 | 65,400 |
| Library Service | 195,300 | 195,500 |
| Licences & Subscriptions | 57,100 | 72,000 |
| Minority Ethnic Achievement Service | 178,800 | 292,800 |
| Milk & Meals | 346,800 | 245,800 |
| Miscellaneous | 177,300 | 177,300 |
| Other Local Education Authority Adj | 401,500 | 204,900 |
| Wirral Alternative School Programme | 964,000 | 1,047,400 |
| School Intervention | 0 | 674,500 |
| School Specific Contingencies | 1,813,600 | 1,266,700 |
| Schools Forum | 10,600 | 10,600 |
| Special Staff Costs | 928,900 | 938,500 |
| Statements | 4,694,400 | 4,917,000 |
| Support For SEN | 2,816,700 | 2,423,300 |
| Non Delegated School Costs Total | 21,435,500 | 18,615,000 |
| Non Devolved Grant/Funded Expenditure | | |
| Other Specific Grants | 0 | 0 |
| Standards Fund | 31,700 | 0 |
| Non Devolved Grant/Funded Expenditure Total | 31,700 | 0 |
| Grand Total | 493,200 | 0 |

SCHOOLS BUDGET SUMMARY- DETAIL

| | 2010-11 Original £ | 2011-12 Original £ | |
|-------------------------------------|-----------------------|-----------------------|----|
| Dedicated Schools Grant | | | 1 |
| Dedicated School Grant | | | 2 |
| Income | | | 3 |
| Government Grants | (193,995,400) | (229,403,700) | 4 |
| Dedicated School Grant Total | (193,995,400) | (229,403,700) | 5 |
| | | | 6 |
| Schools | | | 7 |
| Early Years | | | 8 |
| Expense | | | 9 |
| Third Party Payments | 0 | 10,104,500 | 10 |
| Early Years Total | 0 | 10,104,500 | 11 |
| | | | 12 |
| Nursery Schools | | | 13 |
| Expense | | | 14 |
| Employees | 51,700 | 0 | 15 |
| Premises | 25,500 | 0 | 16 |
| Third Party Payments | 1,118,500 | 0 | 17 |
| Expense Total | 1,195,900 | 0 | 18 |
| | | | 19 |
| Income | | | 20 |
| Government Grants | (51,700) | 0 | 21 |
| | | | 22 |
| Nursery Schools Total | 1,144,000 | 0 | 23 |
| | | | 24 |
| Primary Schools | | | 25 |
| Expense | | | 26 |
| Employees | 4,955,800 | 0 | 27 |
| Premises | 882,900 | 835,100 | 28 |
| Third Party Payments | 77,638,400 | 88,281,300 | 29 |
| Expense Total | 83,477,100 | 89,116,400 | 30 |
| | | | 31 |
| Income | | | 32 |
| Government Grants | (4,955,800) | 0 | 33 |
| | | | 34 |
| Primary Schools Total | 78,521,300 | 89,116,400 | 35 |
| | | | 36 |
| Secondary Schools | | | 37 |
| Expense | | | 38 |
| Employees | 5,054,100 | 0 | 39 |
| Premises | 723,300 | 692,300 | 40 |
| Third Party Payments | 99,129,300 | 115,101,400 | 41 |
| Expense Total | 104,906,700 | 115,793,700 | 42 |
| | | | 43 |
| Income | | | 44 |
| Government Grants | (5,054,100) | 0 | 45 |
| Other Grants and Reimbursen | (20,782,000) | (20,226,600) | 46 |
| Income Total | 25,836,100 | (20,226,600) | 47 |
| | | | 48 |
| Secondary Schools Total | 79,070,600 | 95,567,100 | 49 |
| | | | 50 |
| Special Schools | | | 51 |
| Expense | | | 52 |

| | | | |
|---|--------------------|--------------------|-----|
| Employees | 576,600 | 0 | 53 |
| Third Party Payments | 14,284,500 | 16,000,700 | 54 |
| Expense Total | 14,862,100 | 16,000,700 | 55 |
| | | | 56 |
| Income | | | 57 |
| Government Grants | (576,600) | 0 | 58 |
| Income Total | (576,600) | 0 | 59 |
| | | | 60 |
| Special Schools Total | 14,285,500 | 16,000,700 | 61 |
| | | | 62 |
| Schools Total | 173,021,400 | 210,788,700 | 63 |
| | | | 64 |
| | | | 65 |
| | | | 66 |
| Non Delegated School Costs | | | 67 |
| Admissions | | | 68 |
| Expense | | | 69 |
| Employees | 52,100 | 0 | 70 |
| Transfer Payments | 0 | 40,000 | 71 |
| Support Services | 407,200 | 372,900 | 72 |
| Admissions Total | 459,300 | 412,900 | 73 |
| | | | 74 |
| Advanced Skills Teachers | | | 75 |
| Expense | | | 76 |
| Employees | 0 | 359,200 | 77 |
| Advanced Skills Teachers Total | 0 | 359,200 | 78 |
| | | | 79 |
| City Learning Centres | | | 80 |
| Expense | | | 81 |
| Employees | 0 | 517,200 | 82 |
| Premises | 0 | 50,000 | 83 |
| Transport | 0 | 19,000 | 84 |
| Supplies and Services | 0 | 157,200 | 85 |
| Third Party Payments | 0 | 71,300 | 86 |
| City Learning Centres Total | 0 | 814,700 | 87 |
| | | | 88 |
| Contributions to Combined Budgets | | | 89 |
| Expense | | | 90 |
| Transfer Payments | 442,100 | 923,100 | 91 |
| Contributions to Combined Budgets Tot: | 442,100 | 923,100 | 92 |
| | | | 93 |
| Early Years | | | 94 |
| Expense | | | 95 |
| Employees | 274,000 | 273,700 | 96 |
| Supplies and Services | 4,175,700 | 0 | 97 |
| Third Party Payments | 1,685,500 | 0 | 98 |
| Support Services | 288,300 | 288,300 | 99 |
| Expense Total | 6,423,500 | 562,000 | 100 |
| | | | 101 |
| Income | | | 102 |
| Government Grants | (1,685,500) | 0 | 103 |
| Early Years Total | 4,738,000 | 562,000 | 104 |
| | | | 105 |
| Education Out Of School | | | 106 |
| Expense | | | 107 |
| Employees | 243,700 | 246,200 | 108 |

| | | | |
|--|------------------|------------------|-----|
| Education Out Of School Total | 243,700 | 246,200 | 109 |
| | | | 110 |
| Indep Special School Fees | | | 111 |
| Expense | | | 112 |
| Employees | 3,422,300 | 3,204,800 | 113 |
| Support Services | 17,400 | 17,400 | 114 |
| Expense Total | 3,439,700 | 3,222,200 | 115 |
| | | | 116 |
| Income | | | 117 |
| Other Grants and Reimbursen | (537,700) | (457,000) | 118 |
| Indep Special School Fees Total | 2,902,000 | 2,765,200 | 119 |
| | | | 120 |
| Insurances | | | 121 |
| Expense | | | 122 |
| Premises | 65,400 | 65,400 | 123 |
| Insurances Total | 65,400 | 65,400 | 124 |
| | | | 125 |
| Library Service | | | 126 |
| Expense | | | 127 |
| Employees | 118,400 | 118,600 | 128 |
| Transport | 500 | 500 | 129 |
| Supplies and Services | 72,500 | 72,500 | 130 |
| Support Services | 50,300 | 50,300 | 131 |
| Expense Total | 241,700 | 241,900 | 132 |
| | | | 133 |
| Income | | | 134 |
| Recharge to Other Revenue Ac | (46,400) | (46,400) | 135 |
| Library Service Total | 195,300 | 195,500 | 136 |
| | | | 137 |
| Licences & Subs | | | 138 |
| Expense | | | 139 |
| Supplies and Services | 57,100 | 72,000 | 140 |
| Licences & Subs Total | 57,100 | 72,000 | 141 |
| | | | 142 |
| Ethnic Minority Achievement Service | | | 143 |
| Expense | | | 144 |
| Employees | 370,500 | 269,700 | 145 |
| Transport | 6,400 | 6,400 | 146 |
| Supplies and Services | 1,700 | 1,700 | 147 |
| Transfer Payments | 0 | 15,000 | 148 |
| Expense Total | 378,600 | 292,800 | 149 |
| | | | 150 |
| Income | | | 151 |
| Government Grants | (199,800) | 0 | 152 |
| Ethnic Minority Achievement Service | 178,800 | 292,800 | 153 |
| | | | 154 |
| Milk & Meals | | | 155 |
| Expense | | | 156 |
| Employees | 2,921,400 | 2,597,000 | 157 |
| Premises | 197,100 | 174,300 | 158 |
| Transport | 7,700 | 7,700 | 159 |
| Supplies and Services | 1,952,800 | 1,758,700 | 160 |
| Support Services | 421,400 | 421,400 | 161 |
| Expense Total | 5,500,400 | 4,959,100 | 162 |
| | | | 163 |
| Income | | | 164 |

| | | | |
|--|--------------------|--------------------|-----|
| Government Grants | (658,300) | (105,000) | 165 |
| Customer and Client Receipts | (1,643,800) | (1,529,100) | 166 |
| Recharge to Other Revenue Ac | (2,851,500) | (3,079,200) | 167 |
| Income Total | (5,153,600) | (4,713,300) | 168 |
| | | | 169 |
| Milk & Meals Total | 346,800 | 245,800 | 170 |
| | | | 171 |
| Miscellaneous Expense | | | 172 |
| Supplies and Services | 66,600 | 66,600 | 173 |
| Third Party Payments | 11,600 | 11,600 | 174 |
| Support Services | 99,100 | 99,100 | 175 |
| Miscellaneous Total | 177,300 | 177,300 | 176 |
| | | | 177 |
| | | | 178 |
| OLEA Expense | | | 179 |
| Supplies and Services | 524,100 | 458,500 | 180 |
| Income | | | 181 |
| Other Grants and Reimbusem | (122,600) | (253,600) | 182 |
| | | | 183 |
| | | | 184 |
| OLEA Total | 401,500 | 204,900 | 185 |
| | | | 186 |
| WASP Expense | | | 187 |
| Employees | 759,200 | 702,400 | 188 |
| Premises | 160,600 | 180,000 | 189 |
| Transport | 24,500 | 18,800 | 190 |
| Supplies and Services | 164,200 | 222,000 | 191 |
| Third Party Payments | 69,400 | 73,400 | 192 |
| Support Services | 58,100 | 57,800 | 193 |
| Expense Total | 1,236,000 | 1,254,400 | 194 |
| | | | 195 |
| | | | 196 |
| Income | | | 197 |
| Government Grants | (62,000) | 0 | 198 |
| Customer and Client Receipts | (150,000) | (150,000) | 199 |
| Recharge to Other Revenue Ac | (60,000) | (57,000) | 200 |
| Income Total | (272,000) | (207,000) | 201 |
| | | | 202 |
| WASP TOTAL | 964,000 | 1,047,400 | 203 |
| | | | 204 |
| School Intervention Expense | | | 205 |
| Transfer Payments | 0 | 674,500 | 206 |
| School Intervention Total | 0 | 674,500 | 207 |
| | | | 208 |
| | | | 209 |
| School Specific Contingencies Expense | | | 210 |
| Premises | 281,100 | 359,900 | 211 |
| Transfer Payments | 1,372,600 | 899,000 | 212 |
| Support Services | 159,900 | 7,800 | 213 |
| School Specific Contingencies Total | 1,813,600 | 1,266,700 | 214 |
| | | | 215 |
| | | | 216 |
| Schools Forum Expense | | | 217 |
| Supplies and Services | 10,600 | 10,600 | 218 |
| Schools Forum Total | 10,600 | 10,600 | 219 |
| | | | 220 |

| | | | |
|--|--------------------|-------------------|-----|
| | | | 221 |
| Special Staff Costs | | | 222 |
| Expense | | | 223 |
| Employees | 925,400 | 935,000 | 224 |
| Support Services | 3,500 | 3,500 | 225 |
| Special Staff Costs Total | 928,900 | 938,500 | 226 |
| | | | 227 |
| Statements | | | 228 |
| Expense | | | 229 |
| Employees | 1,167,800 | 947,300 | 230 |
| Supplies and Services | 95,900 | 100,300 | 231 |
| Third Party Payments | 4,343,300 | 4,572,200 | 232 |
| Transfer Payments | 0 | 70,000 | 233 |
| Support Services | 32,700 | 32,700 | 234 |
| Expense Total | 5,639,700 | 5,722,500 | 235 |
| | | | 236 |
| Income | | | 237 |
| Other Grants and Reimbursements | (945,300) | (805,500) | 238 |
| Statements Total | 4,694,400 | 4,917,000 | 239 |
| | | | 240 |
| Support For SEN | | | 241 |
| Expense | | | 242 |
| Employees | 2,267,800 | 2,006,500 | 243 |
| Transport | 20,000 | 20,000 | 244 |
| Supplies and Services | 41,500 | 41,500 | 245 |
| Third Party Payments | 37,100 | 37,100 | 246 |
| Transfer Payments | 1,600 | 26,600 | 247 |
| Support Services | 486,200 | 329,100 | 248 |
| Expense Total | 2,854,200 | 2,460,800 | 249 |
| | | | 250 |
| Income | | | 251 |
| Recharge to Other Revenue Accounts | (37,500) | (37,500) | 252 |
| Support For SEN Total | 2,816,700 | 2,423,300 | 253 |
| | | | 254 |
| Non Delegated School Costs Total | 21,435,500 | 18,615,000 | 255 |
| | | | 256 |
| Non Devolved Grant/Funded Expenditure | | | 257 |
| Other Specific Grants | | | 258 |
| Expense | | | 259 |
| Employees | 1,608,500 | 218,700 | 260 |
| Supplies and Services | 62,400 | 0 | 261 |
| Transfer Payments | 0 | 0 | 262 |
| Expense Total | 1,670,900 | 218,700 | 263 |
| | | | 264 |
| Income | | | 265 |
| Government Grants | (355,300) | 0 | 266 |
| Other Grants and Reimbursements | (1,315,600) | (218,700) | 267 |
| Recharge to Other Revenue Accounts | 0 | 0 | 268 |
| Income Total | (1,670,900) | (218,700) | 269 |
| | | | 270 |
| Other Specific Grants Total | 0 | 0 | 271 |
| | | | 272 |
| Standards Fund | | | 273 |
| Expense | | | 274 |
| Employees | 23,124,500 | 0 | 275 |
| Supplies and Services | 140,300 | 0 | 276 |

| | | | |
|--|---------------------|----------|-----|
| Support Services | 25,300 | 0 | 277 |
| Expense Total | 23,290,100 | 0 | 278 |
| | | | 279 |
| Income | | | 280 |
| Government Grants | (23,096,100) | 0 | 281 |
| Recharge to Other Revenue Ac | (162,300) | 0 | 282 |
| Income Total | (23,258,400) | 0 | 283 |
| | | | 284 |
| Standards Fund Total | 31,700 | 0 | 285 |
| | | | 286 |
| Non Devolved Grant/Funded Expenditure Total | 31,700 | 0 | 287 |
| | | | 288 |
| Grand Total | 493,200 | 0 | 289 |

WIRRAL COUNCIL

BUDGET CABINET

21 FEBRUARY 2011

| | |
|-------------------------------------|--|
| SUBJECT | TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2011-14 |
| WARD/S AFFECTED | ALL |
| REPORT OF | DIRECTOR OF FINANCE |
| RESPONSIBLE PORTFOLIO HOLDER | COUNCILLOR JEFF GREEN |
| KEY DECISION | YES |

1.0 EXECUTIVE SUMMARY

- 1.1 This report sets out the Treasury Management and Investment Strategy for 2011-2014 in accordance with the CIPFA Code of Practice for Treasury Management in Public Services.

2.0 RECOMMENDATIONS

- 2.1 That Members approve the Treasury Management and Investment Strategy for 2011-2014.
- 2.2 That the Prudential Indicators be adopted.
- 2.3 That Members approve the Minimum Revenue Provision policy.
- 2.4 That the Council Officers listed within Appendix D, of the Strategy Statement, be authorised to approve payments from Council bank accounts for all treasury management activities.

3.0 REASONS FOR RECOMMENDATIONS

- 3.1 The Chartered Institute of Public Finance and Accountancy Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the Investment Guidance issued by the Department for Communities and Local Government (DCLG).
- 3.2 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

4.0 BACKGROUND AND KEY ISSUES

4.1 CIPFA has defined treasury management as:

“the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

4.2 The Council acknowledges that effective treasury management will provide support towards the achievement of business and service objectives. It is, therefore, committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective treasury management.

4.3 The purpose of the attached Treasury Management Strategy Statement is to set:

- The Treasury Management Strategy for 2011-14 - The long term direction for Council borrowing, debt rescheduling and investments.
- The Prudential Indicators – information to ensure that capital investment is affordable, prudent and sustainable.
- The Minimum Revenue Provision (MRP) Statement – The policy on the repayment of long term debt.
- Authorised signatories for treasury management activities.

5.0 RELEVANT RISKS

5.1 The Council is responsible for treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are important and integral elements of treasury management activities. The main risks to the treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Inflation Risk (Exposure to inflation)
- Credit and Counterparty Risk (Security of investments)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal and Regulatory Risk

6.0 OTHER OPTIONS CONSIDERED

6.1 There are no other options considered in this report.

7.0 CONSULTATION

7.1 There has been no consultation undertaken or proposed for this strategy report. There are no implications for partner organisations arising out of this report.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are none arising out of this report.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

9.1 Approval and implementation of this strategy will limit financial risks while helping to minimise financing costs and maximise investment returns.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising out of this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising out of this report.

11.2 An Equality Impact Assessment (EIA) is not required.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising out of this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising out of this report.

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FNCE/26/11

APPENDICES

Treasury Management and Investment Strategic Statement 2011-2014

REFERENCE MATERIAL

DCLG Local Authority Investment Guidance, 2004

DCLG Changes to the Capital Financing System Consultation, 2009

Code of Practice for Treasury Management in Public Services (Fully Revised Second Edition), CIPFA 2009.

Prudential Code for Capital Finance in Local Authorities (Fully Revised Second Edition), CIPFA 2009.

SUBJECT HISTORY

| Council Meeting | Date |
|--|------------------|
| Cabinet - Treasury Management and Investment Strategy 2010 to 2013 | 22 February 2010 |
| Cabinet - Treasury Management Annual Report 2009/10 | 24 June 2010 |
| Cabinet - Treasury Management Performance Monitoring | 22 July 2010 |
| Cabinet - Treasury Management Performance Monitoring | 14 October 2010 |
| Cabinet - Treasury Management Performance Monitoring | 3 February 2011 |



WIRRAL COUNCIL

TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2011-2014

CONTENTS

1. Background
2. Balance Sheet and Treasury Position
3. Borrowing and Debt Rescheduling Strategy
4. Investment Policy and Strategy
5. Outlook for Interest Rates
6. Policy on Delegation
7. Balanced Budget Requirement
8. 2011/12 Minimum Revenue Provision Statement
9. Performance Monitoring and Reporting

APPENDICES

- A. Existing Portfolio Projected Forward
- B. Economic and Interest Rate Outlook
- C. Specified and Non- Specified Investments
- D. Authorised Signatories

**CABINET
FEBRUARY 2011**

1. Background

- 1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance.
- 1.2 CIPFA has defined treasury management as:
- "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 1.3 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are integral element to treasury management activities and include Credit and Counterparty Risk, Liquidity Risk, Market or Interest Rate Risk, Refinancing Risk and Legal and Regulatory Risk.
- 1.4. The strategy takes into account the impact of the Council's Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position (Appendix A), the Prudential Indicators and the outlook for interest rates (Appendix B).
- 1.5 The purpose of this Treasury Management Strategy Statement is to approve:
- Treasury Management Strategy for 2011/12 (Borrowing and Debt Rescheduling - Section 3, Investments - Section 4).
 - Prudential Indicators (note: The Authorised Limit is a statutory limit).
 - MRP Statement – Section 8.
 - Use of Specified and Non-Specified Investments – Appendix C.

2. Balance Sheet and Treasury Position

- 2.1 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR) and together with balances and reserves are the core drivers of treasury management activity. The estimates, based on the current revenue budget and capital programme, are set out below:

| | 31-Mar-11 Estimate £m | 31-Mar-12 Estimate £m | 31-Mar-13 Estimate £m | 31-Mar-14 Estimate £m |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Capital Financing Requirement (CFR) | 389 | 394 | 394 | 384 |
| Less: Existing Profile of Borrowing and Other Long Term Liabilities | 342 | 324 | 305 | 273 |
| Cumulative Maximum External Borrowing Requirement | 47 | 70 | 89 | 111 |
| Balance and Reserves | 103 | 90 | 80 | 80 |
| Cumulative Net Borrowing Requirement / (Investments) | -56 | -20 | 9 | 31 |

- 2.2 The Council's level of physical debt and investments is linked to these components of the Balance Sheet. The current portfolio position is set out at Appendix A. Market conditions, interest rate expectations and credit risk considerations will influence the Council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position. The Council will ensure that net physical external borrowing (i.e. net of investments) will not exceed the CFR other than for short term cash flow requirements.

Estimates of Capital Expenditure

- 2.3 It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

| | 2010/11 Approved £m | 2010/11 Revised £m | 2011/12 Estimate £m | 2012/13 Estimate £m | 2013/14 Estimate £m |
|---------------------|---------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| Capital Expenditure | 78,595 | 73,845 | 67,552 | 53,910 | tbc |

2.4 Capital expenditure is expected to be financed as follows:

| Capital Financing | 2010/11 Approved £m | 2010/11 Revised £m | 2011/12 Estimate £m | 2012/13 Estimate £m | 2013/14 Estimate £m |
|--------------------------|------------------------------------|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Supported Borrowing | 5,300 | 5,300 | 0 | 0 | tbc |
| Unsupported Borrowing | 9,040 | 14,374 | 23,084 | 18,220 | tbc |
| Capital Receipts | 3,000 | 3,000 | 3,000 | 3,000 | tbc |
| Capital Grants | 60,905 | 50,304 | 41,168 | 32,390 | tbc |
| Revenue Contribution | 350 | 867 | 300 | 300 | tbc |
| Total Financing | 78,595 | 73,845 | 67,552 | 53,910 | 0 |

Incremental Impact of Capital Investment Decisions:

2.5 As an indicator of affordability the table below shows the impact of capital investment decisions on Council Tax. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

| Incremental Impact of Capital Investment Decisions | 2010/11 Approved £ | 2011/12 Estimate £ | 2012/13 Estimate £ | 2013/14 Estimate £ |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Increase in Band D Council Tax | 8.47 | 13.54 | 10.10 | tbc |

2.6 The estimate for interest payment in 2011/12 is £15.7 million and for interest receipts is £1.3 million. The ratio of financing costs to the Council's net revenue stream is an indicator of affordability. It highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meeting borrowing costs. The ratio is based on costs net of investment income.

| Ratio of Finance Costs to net Revenue Stream | 2010/11 Approved % | 2010/11 Estimate % | 2011/12 Estimate % | 2012/13 Estimate % | 2013/14 Estimate % |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Ratio | 8.74 | 7.99 | 9.31 | 10.03 | 10.25 |

3. Borrowing and Debt Rescheduling Strategy

3.1 The Council's balance of Actual External Debt (gross borrowing plus other long term liabilities) as at 31 March 2010 was £352 million. A detailed breakdown of this figure is provided in Appendix A. This Prudential Indicator is a measure in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

- 3.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determine under Section 3 (1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit)

| Authorised Limit for External Debt | 2010/11 Approved £m | 2010/11 Revised £m | 2011/12 Estimate £m | 2012/13 Estimate £m | 2013/14 Estimate £m |
|---|----------------------------|---------------------------|----------------------------|----------------------------|----------------------------|
| Borrowing | 469 | 494 | 489 | 481 | 473 |
| Other Long-term Liability | 15 | 8 | 8 | 8 | 8 |
| Total | 484 | 502 | 497 | 489 | 481 |

- 3.3 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included with the Authorised Limit.

| Operational Boundary for External Debt | 2010/11 Approved £m | 2010/11 Revised £m | 2011/12 Estimate £m | 2012/13 Estimate £m | 2013/14 Estimate £m |
|---|----------------------------|---------------------------|----------------------------|----------------------------|----------------------------|
| Borrowing | 459 | 484 | 479 | 471 | 463 |
| Other Long-term Liability | 10 | 3 | 3 | 3 | 3 |
| Total | 469 | 487 | 482 | 474 | 466 |

- 3.4 The Director of Finance has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Cabinet.

- 3.5 In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Council will keep under review the following borrowing options:
- PWLB loans
 - Borrowing from other local authorities
 - Borrowing from financial institutions
 - Borrowing from the Money Markets
 - Local authority stock issues or bills
 - Structured finance
- 3.6 Notwithstanding the issuance of Public Works Loan Board (PWLB) Circular 147 on 20 October 2010, following the Comprehensive Spending Review announcement, which increases the cost of new local authority fixed rate loans to 1% above the cost of the Government's borrowing, the PWLB remains an attractive source of borrowing, given the transparency and control that its facilities continue to provide. The types of PWLB borrowing that are considered appropriate for a low interest rate environment are:
- Variable rate borrowing
 - Medium-term Equal Instalments of Principal (EIP) or Annuity Loans
 - Long-term Maturity loans, where affordable
- 3.7 Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term and maintaining stability. The differential between debt costs and investment earnings, despite long term borrowing rates being at low levels, remains acute and this is expected to remain a feature during 2011/12. The "cost of carry" associated with medium and long-term borrowing compared to temporary investment returns means that new fixed rate borrowing could entail additional short-term costs. The use of internal resources in lieu of borrowing may again, in 2011/12, be the most cost effective means of financing capital expenditure.
- 3.8 PWLB variable rates are expected to remain low as the Bank Rate is maintained at historically low levels for an extended period. Exposure to variable interest rates will be kept under regular review. Each time the spread between long-term rates and variable rates narrows by 0.50%, this will trigger a formal review point and options will be considered in conjunction with the Authority's Treasury Advisor.
- 3.9. The Council has £174 million loans which are LOBO loans (Lender's Options Borrower's Option) all of which are currently in their call period. In the event that the lender exercises the option to change the rate or terms of the loan, the Council will consider the terms being provided and also repayment of the loan without penalty. The Council may utilise cash resources for repayment or may consider replacing the loan(s) by borrowing from the PWLB. The default response will however be early repayment without penalty.

- 3.10 The rationale for debt rescheduling would be one or more of the following:
- Savings in interest costs with minimal risk.
 - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
 - Amending the profile of maturing debt to reduce any inherent refinancing risks.

As opportunities arise, they will be identified and analysed.

3.11 Any borrowing and debt rescheduling activity will be reported to Cabinet.

3.12 The following Prudential Indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

3.13 In order to increase the understanding of this indicator, separate upper limits for the percentage of fixed and variable rates are shown for borrowing and investment activity, as well as the net limit.

| | 2010/11 Approved % | 2010/11 Revised % | 2011/12 Estimate % | 2012/13 Estimate % | 2013/14 Estimate % |
|--|-----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Upper Limit for Fixed Interest Rate Exposure | | | | | |
| Borrowings | 100 | 100 | 100 | 100 | 100 |
| Investments | 100 | 100 | 100 | 100 | 100 |
| Net | 200 | 200 | 200 | 200 | 200 |
| Upper Limit for Variable Interest Rate Exposure | | | | | |
| Borrowings | 100 | 100 | 100 | 100 | 100 |
| Investments | 100 | 100 | 100 | 100 | 100 |
| Net | 200 | 200 | 200 | 200 | 200 |

3.14 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

- 3.15 The Council will also limit and monitor large concentrations of fixed rate debt needing to be replaced. Limits in the following table are intended to offer flexibility against volatility in interest rates when refinancing maturing debt.

| Maturity structure of fixed rate borrowing | Lower Limit 2011/12 % | Upper Limit 2011/12 % |
|---|--------------------------------------|--------------------------------------|
| Under 12 Months | 0 | 20 |
| 12 months and within 24 months | 0 | 20 |
| 24 months and within 5 years | 0 | 50 |
| 5 years and within 10 years | 0 | 50 |
| 10 year and above | 20 | 100 |

4. Investment Policy and Strategy

- 4.1 Guidance from the CLG on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set.
- 4.2 The Council's investment priorities are:
- Security of the invested capital
 - Liquidity of the invested capital
 - An optimum yield which is commensurate with security and liquidity
- 4.3 Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. Potential instruments for the Council's use within its investment strategy are contained in Appendix C. The Director of Finance, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to Cabinet meetings. (see Section 6, Policy on Delegation).
- 4.4 Changes to investment strategy for 2011/12 include:
- AAA-rated Variable Net Asset Value (VNAV) Money Market Funds
 - T-Bills
 - Local Authority Bills
 - Term deposits in Sweden
 - Maximum duration for new term deposits 2 years
- 4.5 The Council's current level of investments is presented at Appendix A.
- 4.6 The Council's in-house investments are made with reference to the outlook for the UK Bank Rate and money market rates.

- 4.7 In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office or UK Treasury Bills. (The rates of interest from the DMADF are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the Council's capital is secure.)
- 4.8 The Council selects countries and the institutions within them for the counterparty list after analysis and careful monitoring of:
- Credit Ratings (minimum long-term A+ for counterparties; AA+ for countries)
 - Credit Default Swaps (where quoted)
 - GDP; Net Debt as a Percentage of GDP
 - Sovereign Support Mechanisms/ potential support from a well-resourced parent institution
 - Share Prices (where quoted)
 - Macro-economic indicators
 - Corporate developments, news and articles, market sentiment.
- 4.9 The Council and its Treasury Advisors, Arlingclose, will continue to analyse and monitor these indicators and credit developments on a regular basis and respond as necessary to ensure security of the capital sums invested.
- 4.10 The UK Bank Rate has been maintained at 0.5% since March 2009, and is anticipated to remain at low levels throughout 2011/12. Short-term money market rates are likely to remain at very low levels for an extended period which will have a significant impact on investment income.
- 4.11 To protect against a lower for longer prolonged period of low interest rates and to provide certainty of income, 2 year deposits and longer-term secure investments will be actively considered within the limits the Council has set for Non-Specified Investments (see Appendix C). The longer-term investments will be likely to include:
- Term Deposits with counterparties rated at least A+ (or equivalent)
 - Supranational Bonds (bonds issued by multilateral development banks): Even at the lower yields likely to be in force, the return on these bonds will provide certainty of income against an outlook of low official interest rates.
- 4.12 The Council has placed an upper limit for principal sums invested for over 364 days, as required by the Prudential Code. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

| | 2010/11 Approved £m | 2010/11 Revised £m | 2011/12 Estimate £m | 2012/13 Estimate £m | 2013/14 Estimate £m |
|--|------------------------------------|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Upper Limit for total principal sums invested over 364 days | 30 | 30 | 30 | 30 | 30 |

4.13 **Collective Investment Schemes (Pooled Funds):**
The Council has evaluated the use of Pooled Funds and determined the appropriateness of their use within the investment portfolio. Pooled funds enable the Council to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns.

4.14 Investments in pooled funds will be undertaken with advice from Arlingclose. The Council's current investments in Pooled Funds are listed in Appendix A; their performance and continued suitability in meeting the Council's investment objectives are regularly monitored.

5. Outlook for Interest Rates

5.1 The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, is attached at Appendix B. The Council will reappraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

6. Policy on Delegation

6.1 The Council has responsibility for all matters concerned with treasury management. These are delegated to the Director of Finance in accordance with the Constitution scheme of delegation.

6.2 On a day to day basis the Treasury Management Team within the Accountancy Section carries out the treasury management activities.

6.3 Decisions on short term investments and short term borrowings may be made on behalf of the Director of Finance by the Group Accountant for Treasury Management or any of the members of the Treasury Management Team who are empowered to agree deals subject to their conforming to the Authority's treasury management strategy and policies outlined in this report.

6.4 Actual authorisation of payments from the Authority's bank account will be made by the Director of Finance, the Deputy Director of Finance, the Finance Heads of Service or the Chief Accountants, listed in Appendix D.

6.5 Decisions on long term investments or long term borrowings (i.e. for periods greater than one year) may be made on behalf of the Director of Finance by the Group Accountant or the Senior Assistant Accountants on the Treasury Management Team and will be reported to Cabinet.

6.6 All officers will act in accordance with the policies contained within this document.

7. Balanced Budget Requirement

7.1 The Council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

8. 2011/12 Minimum Revenue Provision Statement

- 8.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to “have regard” to such Guidance under section 21(1A) of the Local Government Act 2003.
- 8.2 The four MRP options available are:
Option 1: Regulatory Method
Option 2: CFR Method
Option 3: Asset Life Method
Option 4: Depreciation Method
NB this does not preclude other prudent methods
- 8.3 MRP in 2011/12: Options 1 and 2 may be used only for supported expenditure. Methods of making prudent provision for self financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses).
- 8.4 The MRP Statement will be submitted to Council before the start of the 2011/12 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.
- 8.5 The Council will apply Option 1 in respect of supported capital expenditure and Option 3 in respect of unsupported capital expenditure.
- 8.6 For prudence, when Option 3, the asset life method, is applied to the funding of an asset with a life greater than 25 years the Council will apply a default asset life of 25 years. Estimating assets lives over 25 years is difficult to achieve accurately; therefore, using a default of 25 years is considered the most prudent approach and is in keeping with the Regulations.
- 8.7 MRP in respect of PFI and leases brought on Balance Sheet under International Financial Reporting Standards (IFRS) will also be calculated using Option 3 and will match the annual principal repayment for the associated deferred liability.

9. Performance Monitoring and Reporting

- 9.1 The Director of Finance will report to Cabinet on treasury management activity / performance as follows :
- Quarterly against the strategy approved for the year. (CIPFA requires as a minimum a mid-year and year end review of treasury activity).
 - The Council will produce an Outturn Report on its treasury activity no later than 30 September after the financial year end.
 - Council Excellence Overview and Scrutiny Committee will be responsible for the scrutiny of treasury management activity and practices.

EXISTING PORTFOLIO PROJECTED FORWARD

| | 31-Mar-10 Actual £m | % | 31-Mar-11 Revised £m | 31-Mar-12 Estimate £m | 31-Mar-13 Estimate £m | 31-Mar-14 Estimate £m |
|--|---------------------------|------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| External Borrowing: | | | | | | |
| Fixed Rate – PWLB | 106 | 38 | 100 | 109 | 113 | 107 |
| Fixed Rate – Market | 174 | 62 | 174 | 174 | 171 | 158 |
| Variable Rate – PWLB | 0 | 0 | 0 | 0 | 0 | 0 |
| Variable Rate – Market | 0 | 0 | 0 | 0 | 0 | 0 |
| Total External Borrowing | 280 | 100 | 274 | 283 | 284 | 265 |
| Other long-term liabilities: | | | | | | |
| PFI | 69 | 96 | 66 | 56 | 45 | 34 |
| Finance Leases | 3 | 4 | 2 | 2 | 1 | 1 |
| Total Other Long-Term Liabilities | 72 | 100 | 68 | 58 | 46 | 35 |
| Total External Debt | 352 | | 342 | 341 | 330 | 300 |
| Investments: | | | | | | |
| <i>Managed in-house</i> | | | | | | |
| Deposits with Banks and Building Societies | 85 | 59 | 80 | 51 | 41 | 41 |
| Deposits with Money Market Funds | 50 | 35 | 30 | 30 | 30 | 30 |
| Deposits in Supranational Bonds and Gilts | 8 | 6 | 8 | 8 | 8 | 8 |
| <i>Managed externally</i> | | | | | | |
| Payden Sterling Reserve | 1 | 1 | 1 | 1 | 1 | 1 |
| Total Investments | 144 | 100 | 119 | 90 | 80 | 80 |
| Net Borrowing Position | 208 | | 223 | 251 | 250 | 220 |

ECONOMIC AND INTEREST RATE OUTLOOK (ARLINGCLOSE)

| | Mar-11 | Jun-11 | Sep-11 | Dec-11 | Mar-12 | Jun-12 | Sep-12 | Dec-12 | Mar-13 | Jun-13 | Sep-13 | Dec-13 | Mar-14 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Official Bank Rate | | | | | | | | | | | | | |
| Upside risk | 0.25 | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Central case | 0.50 | 0.50 | 0.75 | 1.00 | 1.25 | 1.50 | 2.00 | 2.50 | 2.75 | 2.75 | 3.00 | 3.00 | 3.00 |
| Downside risk | - | - | - 0.25 | - 0.50 | - 0.50 | - 0.50 | - 0.50 | - 0.50 | - 0.50 | - 0.50 | - 0.50 | - 0.50 | - 0.50 |
| 1-yr LIBID | | | | | | | | | | | | | |
| Upside risk | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Central case | 1.65 | 1.90 | 2.15 | 2.40 | 2.50 | 2.50 | 2.75 | 3.00 | 3.25 | 3.50 | 3.50 | 3.50 | 3.50 |
| Downside risk | - 0.25 | - 0.25 | - 0.25 | - 0.50 | - 0.50 | - 0.50 | - 0.50 | - 0.50 | - 0.50 | - 0.50 | - 0.50 | - 0.50 | - 0.50 |
| 5-yr gilt | | | | | | | | | | | | | |
| Upside risk | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Central case | 2.75 | 3.00 | 3.25 | 3.50 | 3.75 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.25 | 4.25 | 4.00 |
| Downside risk | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 |
| 10-yr gilt | | | | | | | | | | | | | |
| Upside risk | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Central case | 3.90 | 4.00 | 4.10 | 4.25 | 4.50 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 5.00 | 5.00 | 4.75 |
| Downside risk | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 |
| 20-yr gilt | | | | | | | | | | | | | |
| Upside risk | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Central case | 4.50 | 4.75 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.25 | 5.25 | 5.00 |
| Downside risk | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 |
| 50-yr gilt | | | | | | | | | | | | | |
| Upside risk | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Central case | 4.25 | 4.50 | 4.75 | 4.75 | 4.75 | 4.75 | 4.50 | 4.50 | 4.50 | 4.50 | 4.75 | 4.75 | 4.50 |
| Downside risk | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 | - 0.25 |

- The recovery in growth is likely to be slow and uneven.
- The initial reaction to the CSR is positive, but implementation risks remain.
- The path of base rates reflects the fragility of the recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank will stick to its lower for longer stance on policy rates.
- Uncertainty surrounding Eurozone sovereign debt and the risk of contagion will remain a driver of global credit market sentiment.

Underlying assumptions:

- The framework and targets announced in the Comprehensive Spending Review (CSR) to reduce the budget deficit and government debt will be put to the test; meeting the 2010 borrowing target of £149bn will be crucial to the gilt market's confidence in the credibility of the deficit reduction plans.
- Despite Money Supply being weak and growth prospects remaining subdued, the MPC has gravitated towards increasing rates in the New Year as global inflation continues to rise along with household inflation.
- Consumer Price Inflation is stubbornly above 3% and is likely to spike above 4% in the first quarter of 2011 as a result of VAT, Utilities and Rail Fares.

- Unemployment remains near a 16 year high, at just over 2.5 Million, and is set to increase as the Public Sector shrinks. Meanwhile employment is growing but this is mainly due to part time work, leaving many with reduced income.
- Recently announced Basel III capital/liquidity rules and extended timescales are positive for banks. Restructuring of UK banks' balance sheets is ongoing and expected to take a long time to complete. This will be a pre-condition for normalisation of credit conditions and bank lending.
- Mortgage repayment, a reduction in net consumer credit and weak consumer confidence are consistent with lower consumption and therefore the outlook for growth.
- The US Federal Reserve downgraded its outlook for US growth; the Fed is concerned enough to signal further QE through asset purchases. Industrial production and growth in the Chinese economy are showing signs of slowing. Both have implications for the global economy.

SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments

Specified Investments Defined

Specified Investments will be those that meet the criteria CLG Guidance, i.e. the investment:-

- is sterling denominated
- has a maximum maturity of 1 year
- meets the “high” credit criteria as determined by the Council or is made with the UK Government or is made with a Local Authority in England, Wales, Scotland or Northern Ireland or a parish community council.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate)

Types of Specified Investments

Specified Investments identified for the Council’s use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- *Certificates of deposit with banks and building societies
- *Gilts : (bonds issued by the UK Government)
- *Bonds issued by multilateral development banks
- Treasury-Bills (T-Bills) and Local Authority Bills (LA Bills)
- AAA-rated Money Market Funds with a constant net asset value (CNAV)
- AAA-rated Money Market Funds with a Variable Net Asset Value (VNAV)
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

** Investments in these instruments will be on advice from the Council’s treasury advisor.*

Minimum Credit Rating Criteria for Specified Investment

For credit rated counterparties, the minimum criteria will be the lowest equivalent short-term and long-term ratings assigned by Fitch, Moody’s and Standard & Poor’s (where assigned).

Long-term minimum: A+ (Fitch); A1 (Moody’s); A+ (S&P)

Short-term minimum: F1 (Fitch); P-1 (Moody’s); A-1 (S&P)

This means that the Council will only make investments that have high credit rating, or above, for both long and short term investments. The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties and will not rely solely on these credit ratings.

New specified investments will be made within the following limits:

| Instrument | Country/ Domicile | Counterparty | Maximum Counterparty Limits £m |
|--|--|--|---|
| Term Deposits | UK | DMADF, DMO | No limit |
| Term Deposits/Call Accounts | UK | Other UK Local Authorities | No limit |
| Term Deposits/Call Accounts | UK | Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent) | £15m |
| Term Deposits/Call Accounts | Non-UK | Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent) in select countries with a Sovereign Rating of at least AA+ | £15m |
| Gilts | UK | DMO | No limit |
| T-Bills | UK | DMO | No limit |
| LA-Bills | UK | Other UK Local Authorities | No limit |
| Bonds issued by multilateral development banks | | (For example, European Investment Bank/Council of Europe, Inter American Development Bank) | £30m |
| AAA-rated Money Market Funds | UK/Ireland/ Luxembourg domiciled | CNAV MMFs VNAV MMFs (where there is greater than 12 month history of a consistent £1 Net Asset Value) | £15m |
| Other MMFs and CIS | UK/Ireland/ Luxembourg domiciled | Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments | £15m |

Sovereign Country Limits

For in-house investments within UK banks and building societies the maximum sovereign limit will be 100% of total investments.

For in-house investments within non-UK banks the maximum sovereign limit will be £30m. This means that all the Council's investments can be made with non-UK institutions but it limits the risk of over-exposure to any one country.

NB The limits above are maximum limits. The Treasury Management Team will adjust individual counterparty, group and country limits according to individual circumstances but remain within these maximum limits.

Non-Specified Investments

Having considered the rationale and risk associated with Non-Specified Investments, the following has been determined for the Council's use :

| | In-house use | Use by fund managers | Maximum maturity | Max % of portfolio | Capital expenditure? |
|---|-------------------------------------|----------------------|---|---------------------|----------------------|
| <ul style="list-style-type: none"> ▪ Deposits with banks and building societies ▪ Certificates of deposit with banks and building societies | ✓ | ✓ | 5 yrs | 40% in aggregate | No |
| Gilts and bonds <ul style="list-style-type: none"> ▪ Gilts ▪ Bonds issued by multilateral development banks ▪ Bonds issued by financial institutions guaranteed by the UK Government ▪ Sterling denominated bonds by non-UK sovereign Governments | ✓ (on advice from treasury advisor) | ✓ | 10 years | 50% in aggregate | No |
| Money Market Funds and Collective Investment Schemes (pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573) but which are not credit rated | ✓ (on advice from treasury advisor) | ✓ | These funds do not have a defined maturity date | 50% | No |

| | | | | | |
|---|------------------------------------|---|---|------|-----|
| -Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies | | | 10 years | | |
| -Non-guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies | ✓(on advice from treasury advisor) | ✓ | 10 years | £10M | Yes |
| -Collective Investment Schemes (Pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573 | | | These funds do not have a defined maturity date | | |

1. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.
2. The use of the above instruments by the Council's fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.

Minimum Credit Rating Criteria for Non-Specified Investment

For credit rated counterparties, the minimum criteria will be the lowest equivalent short-term and long-term ratings assigned by Fitch, Moody's and Standard & Poor's (where assigned).

Long-term minimum: A+ (Fitch); A1 (Moody's); A+ (S&P)

Short-term minimum: F1 (Fitch); P-1 (Moody's); A-1 (S&P)

Investment Limits

The limits for each type of non specified investment are shown in the table above. However, the individual counterparty, group and country limits stated with the specified investment section takes precedent over the limits in the table above.

AUTHORISED SIGNATORIES

The following officers are authorised to make payments, either via the Council's online banking system or by signing cheques, and issue other instructions relating to Treasury Management transactions on behalf of Wirral Borough Council:

Director of Finance – Ian E. Coleman

Deputy Director of Finance – David L.H. Taylor-Smith

Head of ICT – Vacant

Head of Benefits, Revenue and Customer Services – Malcolm J. Flanagan

Head of Financial Services – Thomas W. Sault

Head of Support Services – Vacant

Chief Accountant – Peter J. Molyneux

Chief Accountant – Robert D. Neeld

Chief Accountant – Jenny Spick

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WIRRAL COUNCIL

BUDGET CABINET

21 FEBRUARY 2011

| | |
|---|--|
| SUBJECT | CAPITAL PROGRAMME AND FINANCING 2011-2013 |
| WARD/S AFFECTED | ALL |
| REPORT OF | DIRECTOR OF FINANCE |
| RESPONSIBLE PORTFOLIO HOLDER | COUNCILLOR JEFF GREEN |
| KEY DECISION | YES |

1.0 EXECUTIVE SUMMARY

1.1 This report provides Cabinet with the further information requested at the meeting on 9 December 2010 when the report on Capital Programme and Financing 2011-2015 was considered.

2.0 RECOMMENDATIONS

2.1 That the revised proposals for the Wallasey Town Hall and Wallasey Annexes schemes be reflected in the Capital Programme.

2.2 That an additional investment of £1.1 million in Transport schemes be included within the Capital Programme for 2011/12.

2.3 That the capitalisation of £3.42 million of statutory redundancy costs be included within the Capital Programme for 2010/11.

2.4 That the Capital Programme 2011-2013 and capital financing, as now presented, be agreed and incorporated within the Council Budget for 2011/12.

3.0 REASONS FOR RECOMMENDATIONS

3.1 After agreeing the Capital Programme in totality on 9 December 2010 Cabinet requested further information relating to works to Wallasey Town Hall and the Wallasey Annexes.

3.2 Cabinet on 13 January 2011 considered a report on the reduction in Local Transport Plan funding and the potential to increase the Council investment to offset the reduction of Government grant.

3.3 As part of the Local Government Finance Settlement the Government has announced that there will be no revenue support for new capital expenditure.

3.4 The Council has received approval from the Government for the capitalisation of expenditure of £3.42 million in 2010/11 on statutory redundancy payments. This is the maximum approved by the Government which will incur additional capital financing costs of £342,000 per year.

3.5 The Capital Programme is based upon the prioritisation criteria linking the Capital Strategy with the Corporate Plan, the Strategic Change Programme and the outcome of the Wirral's Future - Be a part of it consultation.

4.0 BACKGROUND AND KEY ISSUES

4.1 Achieving Council objectives requires capital investment. The Capital Strategy sets the framework that enables the Council to work with partners and stakeholders to prioritise and effectively deliver capital investment that contributes to the achievement of Council objectives.

4.2 The Capital Strategy was reviewed to reflect the Corporate Plan and was agreed by Cabinet on 4 November 2010. It considers issues at a strategic level and is used to determine the Capital Programme with the schemes included in the capital programme being based upon submission of a Business Case which is assessed against the agreed prioritisation criteria.

4.3. In preparing the programme for 2011/15 the process followed that outlined in the Capital Strategy. The prioritisation criteria linking the Capital Strategy with the Corporate Plan, the Strategic Change Programme and the outcome of the Wirral's Future – B e a part of it consultation. The criteria are included at Appendix A.

4.4 Under Financial Reporting Statement (FRS) 15 capital expenditure is defined as expenditure incurred on the acquisition, creation or enhancement of an asset. Enhancement works are defined as leading to at least one of the following:-

- Substantially lengthening the useful life of the asset.
- Substantially increasing the open market value of the asset.
- Substantially increasing the extent to which the asset can be used in connection with the functions of the Local Authority.

Expenditure which purely maintains the useful life or open market value of an asset should be charged to revenue.

4.5 The Prudential Capital Finance system allows local authorities to borrow for capital expenditure provided it is affordable. Decisions about debt repayment should be made through the consideration of prudent treasury management practice. As a guide, borrowing incurs a revenue cost of approximately 10% of the loan each year, comprising interest charges and the repayment of the debt (known as the Minimum Revenue Provision or MRP).

CABINET 9 DECEMBER 2010

4.6 The following schemes were recommended for inclusion in the Capital Programme based upon an assessment against the prioritisation criteria:-

| NEW SUBMISSIONS FOR APPROVAL | 2011/12 | 2012/13 | 2013/14+ |
|---|----------------|----------------|-----------------|
| | £000 | £000 | £000 |
| Cathcart Street Primary School | 1,500 | 0 | 0 |
| Primary School Reorganisation | 250 | 0 | Tbc |
| Adaptation Programme | 500 | 500 | 0 |
| Housing Renewal Funding | 850 | 800 | Tbc |
| Wirral Healthy Homes | 105 | 105 | Tbc |
| Bebington Civic Centre | 1,300 | 0 | 0 |
| Rock Ferry Centre | 630 | 0 | 0 |
| Wallasey Town Hall | 1,625 | 0 | 0 |
| Quarry Bank Affordable Housing | 345 | 0 | 0 |
| Empty Property Interventions | 125 | 125 | Tbc |
| Wallasey North and South Annexes (inc £550k from IT capital & £400k PPM) | 2,500 | 800 | 0 |
| Power Solutions to Wirral's Strategic Investment Areas | 250 | 4,750 | 0 |
| Cosy Homes Heating | 250 | 250 | Tbc |
| Reconstruction/ Resurfacing of roads on the Wirral Primary Network Routes | 500 | 0 | 0 |
| Vehicles, plant & equipment which may have previously been funded by leasing | 0 | 0 | 0 |

4.7 Cabinet approved the totality of the programme and this was confirmed by Council on 13 December 2010. At Cabinet further information in respect of two schemes was requested:-

Wallasey Town Hall

4.7.1 The project is to upgrade the accommodation in terms of structural fire protection; access and egress; compliance with Part B of the current Building Regulations, and satisfying current DDA access and egress requirements.

4.7.2 The Director of Law, HR and Asset Management advises that there are fire safety, access and egress concerns that need to be addressed. In particular:

- Travel distances relating to means of escape in Wallasey Town Hall exceed the maximum distances stipulated in the current Building Regulations, and not all the fire protection to the escape routes satisfies current requirements.
- The only means of escape from the ground floor rear corridor is via doors opening over a flight of unguarded external steps leading onto a plateau which can only be accessed by further flights of steps.
- The Town Hall only has one passenger/ goods lift. This is old and is prone to frequent breakdown.

4.7.3 The recommended works include:

- the construction of a new staircase within the northeast light well serving the administrative areas on the ground, first and second floors.
- the construction of a new staircase and lift within the southeast light well will serve the administrative areas on all floors.
- the construction of a new staircase and lift within the northwest light well will serve all floors providing access to the Civic Hall and balcony.

4.7.4 The necessary fire risk assessment for the building was last reviewed in September 2010, and it currently has a suitable and sufficient fire risk assessment action plan in place. This risk assessment recognises that travel distances are not ideal and that some fire doors require alteration to ensure smoke dispersion is minimised. The works to fire doors are of a minor nature and will be addressed using existing maintenance budgets. Otherwise, the fire risk assessment identifies that current arrangements for managing fire risk are suitable and sufficient for the present use of the building. As with all fire risk assessments, should there be any significant change in the layout of the building in order to accommodate additional staff then the risk assessment should be revisited and a building regulations application may be required in order to facilitate the changes and comply with current building regulations.

4.7.5 These works are intended to form the first elements within an overall approach to the modernisation of the Town Hall and allow for more intensive use in the future. This could in turn support the vacation and disposal of other buildings, subject to further investment in the Town Hall to create additional capacity. Detailed proposals for staff moves and the associated works have not yet been developed.

4.7.6 The provision of a new staircase and lift in the northwest light well can be seen as a discrete element relating only to the use of the Civic Hall. It should be noted that, on the basis of the current means of escape, the Civic Hall public gallery has already been taken out of use. Whilst a new staircase and lift would address means of escape and accessibility issues for the Civic Hall a further programme of investment would be required to develop the hall into a viable and sustainable community facility that could be operated independently of the remainder of the building.

4.7.7 Options for consideration:-

If the new staircase and lift to serve the Civic Hall is excluded from the overall scheme the estimated cost of the remaining elements is £830,000, including fees and contingencies. This would provide for modernisation of access and means of escape for staff and visitors to areas of the building excluding the civic hall. It would support future options (which are still to be developed) for intensification of use.

Given that existing use of the building can continue under present arrangements the option exists not to proceed with the scheme as proposed. In this case it should be recognised that

- issues of access and means of escape will need to be addressed when future proposals for the building are developed
- disabled access to upper floors will continue to rely on the single existing lift, which is increasingly prone to failure and which is becoming more difficult to repair.

4.7.8 Proposal:-

The scheme be split into two phases with the initial phase being £830,000 for the works to the Town Hall in 2011/12 with the works to the Civic Hall amounting to £795,000 being programmed for 2013/14.

Wallasey North and South Annexes

4.7.9 The works would involve using £550,000 from the IT Capital provision and £400,000 from the Planned Maintenance budget, in addition to £2,350,000 of capital funds sought for building refurbishment and improvement.

4.7.10 Since being constructed around 1960 the Annexes have seen no major capital investment or improvement other than a new heating installation in the South Annexe. Both are due major investment to support their continued use as administrative offices and this scheme would enable the buildings to operate efficiently until well into the next decade without any major maintenance provision being required. The buildings would be put into full repair, with all backlog and lifecycle maintenance issues addressed. The scheme would also open up large areas of the accommodation on all floors to provide a modern open plan layout. This, when combined with the renewal of the ICT infrastructure, would support a greater degree of agile working.

4.7.11 The scheme would have to be phased and decanting arrangements made for existing staff to allow works to proceed, with only one annexe at a time made available for the construction phase. Costs of decanting and temporary accommodation are not included in the capital bid.

4.7.12 Options for consideration:-

It has previously been identified that the principal administrative buildings - including the North and South Annexes - have reached the point where major items need to be addressed to secure their long term future. This is in a developing context where:-

- the Council has recently made a significant reduction in staff numbers through voluntary retirement and severance.
- the impact of these reductions across the administrative estate is being assessed, with space being vacated across all buildings.

An option would be not to commit to a comprehensive works programme at this time but instead to continue the current approach which minimises maintenance expenditure and addresses health and safety priorities and essential repairs as they arise.

4.7.13 If a comprehensive scheme is not undertaken funding would need to be identified from the planned maintenance allocation to enable continued safe occupancy of the buildings and prevent any further deterioration of the structure. Limited works would be undertaken which may need to be spread over two financial years. Asbestos would remain in place and would continue to be managed as at present with partitions removed on a staged basis, managing the risk as works are undertaken and locally making good finishes.

4.7.14 In the absence of a comprehensive scheme it is recommended that a new heating system is installed in the North Annexe. The existing (original) system is failing to provide an adequate working temperature in the building in cold weather. The estimated cost of a new system is £165,000, including a new gas supply to the building and it is recommended that this be included in the capital programme. The existing system is inefficient and a new system would be more sustainable with lower CO2 emissions.

4.7.15 A further option would be to comprehensively refurbish one Annexe and address the other building through the planned maintenance programme. If this option is chosen a scheme for the North Annexe would cost more than one for the South, reflecting the fact that the North Annexe needs a new heating system and refurbishment of the lift. Decanting arrangements would need to be developed to provide for the full vacation of an Annexe whilst work is undertaken.

4.7.16 Proposal:

That the new heating system be undertaken in 2011/12 with the remaining works to the building being re-programmed over the financial years 2012/14. The renewal of the ICT infrastructure, which is being met from the IT capital provision, should proceed subject to a detailed scheme and estimate report being presented to Cabinet.

4.8 Cabinet requested details for the schemes recommended for inclusion of how they related to the work of the Wirral's future:- Be a part of it consultation and links to the recommendations of the Task Forces. This is included at Appendix B.

POTENTIAL VARIATIONS

- 4.9 Cabinet also requested that £500,000 be included in the Capital Programme for reconstruction resurfacing, which had not been the subject of a Business Case submission and assessment against the prioritisation criteria. This scheme was to be included without impacting upon the overall level of borrowing and so there would need to be a compensatory reduction. Cabinet on 13 January 2011 received a report from the Director of Technical Services on the Local Transport Plan capital allocations for 2011/12 which indicated a potential reduction in Government support of £1.6 million in 2011/12, and £600,000 for road safety schemes was proposed for inclusion in the Capital Programme.

| NEW SUBMISSIONS FOR APPROVAL | 2011/12 | 2012/13 | 2013/14+ |
|--|----------------|----------------|-----------------|
| | £000 | £000 | £000 |
| Reconstruction/ Resurfacing of roads on the Wirral Non- Primary Network Routes | 500 | 0 | 0 |
| Road Safety / Traffic Schemes | 600 | 0 | 0 |

- 4.10 The Government issued the Provisional Local Government Finance Settlement on 13 December 2010. This included information on Government Grant support for 2011/12 and 2012/13 with there being no Government support for new capital spending within the Formula Grant. The Government subsequently issued further information relating to grant support and the Final Local Government Finance Settlement announced on 31 January 2011 confirmed the position as set out in this report.
- 4.11 The Council has received approval from the Government for the capitalisation of expenditure of £3.42 million in 2010/11 on statutory redundancy payments. This is the maximum approved by the Government and will incur additional capital financing costs of £342,000 per year.
- 4.12 As the Authority moves out of the direct provision of residential care homes, the Director of Adult Social Services will be developing better day care service provision to support the personalisation agenda. This may require capital investment which will be reported to the Cabinet as the programme is developed.

5.0 RELEVANT RISKS

- 5.1 The progression, or non-progression, of individual schemes brings different risks. In overall terms the Council Budget projection for 2011/12 currently includes the financing of the Capital Programme 2011-2015 approved by Council on 13 December 2010. However there is now an additional requirement to meet the costs not now being met by the Government as indicated in section 4.10.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 A number of Business Cases were submitted that did not score sufficiently to be included in the recommended capital programme.

7.0 CONSULTATION

7.1 No specific consultation has been undertaken with regard to this report. This will take place as schemes are developed.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are no direct implications arising from this report.

9.0 RESOURCE IMPLICATIONS

FINANCIAL

9.1 Cabinet on 9 December 2010 approved the programme which identified the borrowing requirements, and revenue implications, for future years. The Treasury Management Strategy report to Cabinet on 21 February 2011 includes:-

| Year | Increase in borrowing | Revenue costs (cumulative) |
|---------|-----------------------|----------------------------|
| 2011/12 | £23 million | Increase of £2.3 million |
| 2012/13 | £19 million | Increase of £4.2 million |

9.2 Since the programme was reported to Cabinet on 9 December 2010 information has been received from the Government in respect of the capital allocations and support for 2011/12 and 2012/13. This is shown in Appendix C. Whilst the reductions in capital grants were largely anticipated there is no Government support for the revenue costs of Council borrowing for new schemes although the highways maintenance support is now in the form of a grant.

9.3 The proposals to amend the Wallasey Town Hall and Wallasey Annexes schemes as detailed in paragraph 4.7 will reduce borrowing in 2011/12 by £3.1 million. The addition of the new capital schemes outlined in paragraph 4.9 will increase borrowing by £1.1 million in 2011/12. and the capitalisation in paragraph 4.11 increases the 2010/11 programme by £3.42 million.

9.4 The opportunity has also been taken to update the planned programme in respect of the IT and Cultural Services investment programmes to better reflect planned activity. This includes the Wirral country park scheme for which grant funding continues to be pursued and which will be implemented as a priority should this funding be secured.

9.5 The revised Capital Programme for 2011/13 is detailed in Appendix D and the impact of the changes is:-

| Year | Increase in borrowing | Revenue costs (cumulative) |
|---------|-----------------------|----------------------------|
| 2010/11 | £ 3 million | Increase of £0.3 million |
| 2011/12 | £16 million | Increase of £1.9 million |
| 2012/13 | £11 million | Increase of £3.0 million |

STAFFING

9.6 There are none arising directly from this report as any implications will be identified against individual projects at the scheme and estimate stage.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 These will be identified as part of the individual scheme proposals.

11.2 Equality Impact Assessment (EIA) is not required for this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

FNCE/21/11

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APPENDICES

- Appendix A Capital Investment Programme - Prioritisation Evaluation Criteria and Weightings
- Appendix B Capital Programme - Schemes recommended for inclusion – Links to Task Force recommendations
- Appendix C Capital Allocations
- Appendix D Capital Programme 2010/13 - Position as at 31 January 2011

REFERENCE MATERIAL / SUBJECT HISTORY

| Council Meeting | Date |
|---|-------------------|
| Cabinet - Capital Programme and Financing 2011-2015 | 9 December 2010 |
| Cabinet - Capital Strategy | 4 November 2010 |
| Cabinet - Capital Out-turn and Determinations 2009-10 | 24 June 2010 |
| Cabinet - Capital Programme and Financing 2010-13 | 9 December 2009 |
| Cabinet - Capital Strategy | 24 September 2009 |

CAPITAL INVESTMENT PROGRAMME

PRIORITISATION EVALUATION CRITERIA AND WEIGHTINGS

| PRIORITISATION CRITERIA | % | CORPORATE OBJECTIVE |
|---|----|--|
| 1 Will the scheme create employment opportunities or assist in attracting private sector investment? | 14 | To create more jobs, achieve a prosperous economy and regenerate Wirral. |
| 2 Will the scheme have environmental or streetscene benefits or impact on crime or health and safety? | 14 | To create a clean, pleasant, safe and sustainable environment. |
| 3 Will the scheme cater for vulnerable people or address health inequality or contribute towards healthy lifestyle? | 14 | To improve health and well-being for all, ensuring people who require support are full participants in mainstream society. |
| 4 Will the scheme have any educational attainment or learning opportunities or training benefits? | 14 | To raise the aspirations of young people. |
| 5 Will it impact on revenue or attract significant external funding and build upon partnership working? | 14 | To create an excellent Council. |
| 6 Will the scheme support outcomes from the consultation 'Wirral's Future – Be a Part of it'?" | 15 | To meet the overall vision and all corporate objectives |
| 7 Will the scheme contribute towards achievement of the Strategic Change Programme? | 15 | To meet the overall vision and all corporate objectives |

NOTES

- 1 Schemes, as per the Business Cases, will be scored against the criteria on the basis of not meeting to fully meeting the objectives on a 0-2 basis.
- 2 The % shown are the weightings that apply to each of the criteria.
- 3 Schemes which score in excess of 50% will be recommended for inclusion in the Capital Programme.

CAPITAL PROGRAMME SCHEMES RECOMMENDED FOR INCLUSION

LINKS TO TASK FORCE RECOMMENDATIONS

| Project Title | Department | Links to Task Force / Options |
|--|--------------------|--|
| Cathcart Street Primary School | Children's | Children and Young People Options 1 & 2 |
| Primary School Reorganisation | Children's | Children and Young People Options 1 & 2 |
| Adaptation Programme | Corporate | Living in Wirral Option 27 & 32 Adult Social Services Option 5. |
| Housing Renewal Funding | Corporate | Living in Wirral Options 27 & 28 |
| Wirral Healthy Homes | Corporate | Living in Wirral Option 27 & 28 |
| Bebington Civic Centre | Law HR & Asset M | Living in Wirral Option 17 |
| Rock Ferry Centre | Law HR & Asset M | Living in Wirral Option 17 |
| Wallasey Town Hall | Law HR & Asset M | Living in Wirral Option 5 |
| Quarry Bank Affordable Housing | Corporate | Living in Wirral Options 33 & 34 |
| Empty Property Interventions | Corporate | Living in Wirral Option 34 |
| Wallasey North and South Annexes | Law HR & Asset M | Living in Wirral Option 5 |
| Power Solutions to Wirral's Strategic Investment Areas | Corporate | Economy & Regeneration Options 9, 11 & 15 |
| Cosy Homes Heating | Corporate | Living in Wirral Options 27 & 28 |
| Road reconstruction/resurfacing on Wirral PRN and Non PRN | Technical Services | Living in Wirral Option 3 |
| Road Safety | Technical Services | Living in Wirral Option 3 |
| Purchase of vehicles, plant and equipment which may previously have been leased. | Finance | Invest to save scheme |

CAPITAL ALLOCATIONS**Capital allocations expected in 2011/12 and their movement between 2009 and 2012**

| Capital Grants | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 | Notes |
|---|-------------------------|-------------------------|-------------------------|--|
| GENERAL CAPITAL RESOURCES | | | | |
| Support for new Capital Borrowing | 10,092 | 5,300 | 0 | Allocation ceased 2011/12 |
| CHILDREN & YOUNG PEOPLE' | | | | |
| Basic Need | 924 | 924 | 2,117 | |
| Capital Maint (LA maintained schools) | 2,755 | 2,755 | 4,376 | |
| Capital Maint (LCVAP for VA schools) | 1,975 | 1,457 | 1,509 | |
| Devolved Formula Capital (LA maintained schools) | 6,269 | 2,801 | 871 | |
| Devolved Formula Capital (VA schools) | 2,027 | 869 | 303 | |
| Schools Access Initiative | 611 | 611 | 0 | Supported Borrowing. Allocation ceased 2011/12 |
| Extended Schools | 583 | 138 | 0 | Allocation ceased from 2011/12 |
| Harnessing Technology Grant | 1,084 | 591 | 0 | Allocation ceased from 2011/12 |
| 14-19 diplomas, SEN & Disabilities | 2,000 | 6,000 | 0 | Allocation ceased from 2011/12 |
| CORPORATE SERVICES | | | | |
| Housing Market Renewal Initiative | 7,265 | 7,485 | 0 | Allocation ceased from 2011/12 |
| Regional Housing Pot Funding | 5,241 | 2,355 | 0 | Allocation ceased from 2011/12 |
| Disabled Facilities Grant | 960 | ? | ? | Announcement awaited |
| TECHNICAL SERVICES | | | | |
| Integrated Transport Block | 3,254 | 2,365 | 1,155 | To be confirmed but Merseyside funding is a third less |
| Highway Maintenance | 2,992 | 3,441 | 3,095 | Supported Borrowing 2009/10 & 2010/11. Grant in 2011/12. |

WIRRAL COUNCIL

CAPITAL PROGRAMME 2010/13

POSITION AS AT 11 FEBRUARY 2011

| SUMMARY | 2010/11 | 2011/12 | 2012/13 |
|-----------------------------------|----------------|----------------|----------------|
| | £000 | £000 | £000 |
| Expenditure | | | |
| Adult Social Services | 1,856 | 1,154 | 0 |
| Children & Young People | 35,155 | 25,889 | 12,803 |
| Corporate Services | 17,530 | 5,181 | 9,630 |
| Finance | 6,349 | 1,000 | 1,000 |
| Law, HR and Asset Mgt | 3,283 | 8,163 | 4,795 |
| Technical Services | 13,622 | 7,872 | 5,305 |
| Total Expenditure | 77,795 | 49,259 | 33,533 |
| Resources | | | |
| General Capital Resources | 19,411 | 18,422 | 14,380 |
| Supported Borrowing Children | 3,772 | 483 | 0 |
| Supported Borrowing Transport | 3,441 | 0 | 0 |
| General Resources* | 26,624 | 18,905 | 14,380 |
| Grants – Education | 29,210 | 23,441 | 11,703 |
| Grants – HMRI | 5,942 | 0 | 0 |
| Grants - Regional Housing Pot | 4,014 | 0 | 0 |
| Grants - Integrated Transport | 0 | 1,155 | 1,155 |
| Grants - Local Transport Plan | 3,233 | 3,095 | 3,095 |
| Grants - Other | 7,905 | 2,363 | 2,900 |
| Revenue, reserves, contributions | 867 | 300 | 300 |
| Specific Resources | 51,171 | 30,654 | 19,153 |
| Total Identified Resources | 77,795 | 49,259 | 33,533 |
| *General Resources | | | |
| From Borrowing | 23,624 | 15,905 | 11,380 |
| From Capital Receipts | 3,000 | 3,000 | 3,000 |
| General Resources | 26,624 | 18,905 | 14,380 |

| ADULT SOCIAL SERVICES | 2010/11 | 2011/12 | 2012/13 |
|-------------------------------------|----------------|----------------|----------------|
| | £000 | £000 | £000 |
| Expenditure | | | |
| Information Management | 134 | 141 | 0 |
| Mental Health Single Capital Pot | 0 | 521 | 0 |
| Social Care Single Capital Pot | 0 | 492 | 0 |
| Extra Care Housing | 1,465 | 0 | 0 |
| Social Care Capital Reform | 257 | 0 | 0 |
| Total Expenditure | 1,856 | 1,154 | 0 |
| Resources | | | |
| General Capital Resources | 0 | 141 | 0 |
| Grants - Other | 1,856 | 1,013 | 0 |
| Total Identified Resources | 1,856 | 1,154 | 0 |
| CHILDREN & YOUNG PEOPLE | 2010/11 | 2011/12 | 2012/13 |
| | £000 | £000 | £000 |
| Expenditure | | | |
| Children's Centres - Phase 3 | 894 | 0 | 0 |
| City Learning Centres | 540 | 0 | 0 |
| Early Years Quality & Access | 1,207 | 0 | 0 |
| Aiming Higher for Disabled Children | 624 | 0 | 0 |
| Condition / Modernisation | 4,096 | 8,470 | 0 |
| Childrens Homes | 397 | 0 | 0 |
| Security and Energy | 115 | 0 | 0 |
| Formula Capital | 3,932 | 4,370 | 0 |
| Family Support Scheme | 215 | 50 | 100 |
| Extended Schools | 362 | 0 | 0 |
| Schools - Access Initiative | 459 | 0 | 0 |
| Schools - Harness Technology | 941 | 0 | 0 |
| Woodchurch One School Pathfinder | 10,044 | 900 | 0 |
| Birkenhead High Girls Academy | 2,200 | 7,489 | 2,117 |
| Private Finance Initiative | 476 | 115 | 0 |
| Primary Reorganisation – Surplus | 335 | 250 | 0 |
| Primary Schools Programme | | | |
| - Park Primary School | 4,828 | 0 | 0 |
| - Pensby Primary School | 957 | 2,500 | 8,850 |
| - Other | 43 | 0 | 396 |
| School Meals Uptake & Quality | 135 | 245 | 0 |
| Practical Cooking Spaces | 724 | 0 | 0 |
| Co-Location Fund | 887 | 0 | 0 |
| Playbuilder Programme | 374 | 0 | 0 |
| Play Lottery | 100 | 0 | 0 |
| SEN and Disabilities | 0 | 0 | 1,340 |
| Youth Capital Fund | 270 | 0 | 0 |
| Cathcart Street School | 0 | 1,500 | 0 |
| Total Expenditure | 35,155 | 25,889 | 12,803 |

| CHILDREN & YOUNG PEOPLE | 2010/11 | 2011/12 | 2012/13 |
|------------------------------------|----------------|----------------|----------------|
| | £000 | £000 | £000 |
| Resources | | | |
| General Capital Resources | 1,786 | 1,965 | 1,100 |
| Supported Borrowing | 3,772 | 483 | 0 |
| Grant – Education | 29,210 | 23,441 | 11,703 |
| Revenue, reserves, contributions | 387 | 0 | 0 |
| Total Identified Resources | 35,155 | 25,889 | 12,803 |

| CORPORATE SERVICES | 2010/11 | 2011/12 | 2012/13 |
|---|----------------|----------------|----------------|
| | £000 | £000 | £000 |
| Expenditure | | | |
| Think Big Investment Fund | 457 | 400 | 300 |
| West Wirral Schemes | 0 | 206 | 0 |
| Destination West Kirby | 0 | 1,100 | 150 |
| Wirral Country Park (£1.3m in 2013/14) | 0 | 0 | 1,600 |
| Mersey Heartlands New Growth Point | 1,567 | 0 | 0 |
| Improvements to Stock | 3,562 | 850 | 800 |
| Clearance | 8,634 | 0 | 0 |
| Disabled Facilities – Adaptations | 2,728 | 1,550 | 1,550 |
| New Brighton Phase 2 | 582 | 0 | 0 |
| Quarry Bank Affordable Housing | 0 | 345 | 0 |
| Wirral Healthy Homes | 0 | 105 | 105 |
| Cosy Homes Heating | 0 | 250 | 250 |
| Empty Property Interventions | 0 | 125 | 125 |
| Power Solutions to Strategic Investment Areas | 0 | 250 | 4,750 |
| Total Expenditure | 17,530 | 5,181 | 9,630 |

| | | | |
|-----------------------------------|---------------|--------------|--------------|
| Resources | | | |
| General Capital Resources | 3,330 | 3,531 | 6,430 |
| Grant - HMRI | 5,942 | 0 | 0 |
| Grant - Regional Housing Pot | 4,014 | 0 | 0 |
| Grant - Other | 3,944 | 1,350 | 2,900 |
| Revenue/ Reserve contributions | 300 | 300 | 300 |
| Total Identified Resources | 17,530 | 5,181 | 9,630 |

| FINANCE | 2010/11 | 2011/12 | 2012/13 |
|---|----------------|----------------|----------------|
| | £000 | £000 | £000 |
| Expenditure | | | |
| Information Technology (£1m in 2013/14) | 2,764 | 1,000 | 1,000 |
| Invoice Automation | 165 | 0 | 0 |
| Capitalisation of Redundancy Costs | 3,420 | 0 | 0 |
| Total Expenditure | 6,349 | 1,000 | 1,000 |

| | | | |
|-----------------------------------|--------------|--------------|--------------|
| Resources | | | |
| General Capital Resources | 6,349 | 1,000 | 1,000 |
| Total Identified Resources | 6,349 | 1,000 | 1,000 |

| LAW, HR & ASSET MANAGEMENT | 2010/11 | 2011/12 | 2012/13 |
|--|----------------|----------------|----------------|
| | £000 | £000 | £000 |
| Expenditure | | | |
| Microregeneration | 100 | 0 | 0 |
| Landican Mercury Abatement | 2,191 | 1,000 | 0 |
| Europa Pool - Improved heating | 200 | 0 | 0 |
| Cultural Service Assets (£3m in 2013/14) | 0 | 2,500 | 2,500 |
| Williamson Art Gallery | 257 | 1,000 | 0 |
| The Priory | 5 | 738 | 0 |
| CCTV / IT Project | 530 | 0 | 0 |
| Bebington Civic Centre | 0 | 1,300 | 0 |
| Rock Ferry Centre | 0 | 630 | 0 |
| Wallasey Town Hall | 0 | 830 | 795 |
| North and South Annexes (£0.7m in 2013/14) | 0 | 165 | 1,500 |
| Total Expenditure | 3,283 | 8,163 | 4,795 |
| Resources | | | |
| General Capital Resources | 3,223 | 8,163 | 4,795 |
| Grant – Other | 60 | 0 | 0 |
| Total Identified Resources | 3,283 | 8,163 | 4,795 |
| TECHNICAL SERVICES | 2010/11 | 2011/12 | 2012/13 |
| | £000 | £000 | £000 |
| Expenditure | | | |
| Congestion | 721 | 0 | 0 |
| Road Safety | 1,495 | 600 | 0 |
| Maintenance | 6,253 | 4,062 | 3,095 |
| Air Quality | 1,090 | 0 | 0 |
| Accessibility | 112 | 0 | 0 |
| Transportation | 451 | 0 | 0 |
| Integrated Transport Block | 0 | 1,155 | 1,155 |
| Roads - Non Primary Routes | 0 | 500 | 0 |
| Capitalised Highways Maintenance | 1,000 | 1,000 | 1,000 |
| Highway Structural | 500 | 500 | 0 |
| Energy Schemes | 162 | 0 | 0 |
| Asset Management | 85 | 0 | 0 |
| Waste Initiatives | 424 | 0 | 0 |
| Coast Protection | 221 | 55 | 55 |
| Hoyle Golf Course | 410 | 0 | 0 |
| Landican Cemetery | 180 | 0 | 0 |
| Oval Sport Centre-Artificial Pitches | 160 | 0 | 0 |
| Lottery Play Sites | 158 | 0 | 0 |
| Birkenhead Park | 200 | 0 | 0 |
| Total Expenditure | 13,622 | 7,872 | 5,305 |

| TECHNICAL SERVICES | 2010/11 | 2011/12 | 2012/13 |
|-----------------------------------|----------------|----------------|----------------|
| | £000 | £000 | £000 |
| Resources | | | |
| General Capital Resources | 4,723 | 3,622 | 1,055 |
| LTP - Support Borrowing | 3,441 | 0 | 0 |
| Grants – Integrated Transport | 0 | 1,155 | 1,155 |
| Grants - Local Transport Plan | 3,233 | 3,095 | 3,095 |
| Grant – Other | 2,045 | 0 | 0 |
| Revenue, Reserves, Contributions | 180 | 0 | 0 |
| Total Identified Resources | 13,622 | 7,872 | 5,305 |

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WIRRAL COUNCIL

CABINET

21 FEBRUARY 2011

| | |
|--|---|
| SUBJECT: | INTERIM CARBON BUDGET 2011 – 12 REPORT NO. 1 |
| WARD/S AFFECTED: | ALL |
| REPORT OF: | DIRECTOR OF LAW, H.R. & ASSET MANAGEMENT |
| RESPONSIBLE PORTFOLIO HOLDER: | COUNCILLOR GARDINER |
| KEY DECISION | YES |

1.0 EXECUTIVE SUMMARY

- 1.1 Reducing Wirral's carbon footprint is a key priority for the Council and we are committed to our pledge to deliver a 60% reduction by 2025. In order to ensure this is met the Council produces a Carbon Budget to measure the progress that we have made.
- 1.2 Each Council service has been given an 'allowance' of CO₂ to operate and deliver their services. Its purpose is to provide a clear picture of the environmental impact of the Council's energy use, which will help us meet our carbon reduction targets.
- 1.3 This report provides an interim Carbon Budget for 2011-12, as requested by Cabinet on the 22 February 2010, (Minute 335 refers). Its 'Interim' status reflects the fact that significant changes to Council structures and services are currently being considered that will have a significant positive impact over the coming months. The Carbon Budget will therefore be revised to reflect any changes that are made and published in April 2011.
- 1.4 This report does not contain exempt information.

2.0 RECOMMENDATIONS

- 2.1 Cabinet is requested to note and endorse the actions (contained within Appendix B, the Carbon Budget Impact Statement) to implement the Council's interim Carbon Budget for 2011-12.
- 2.2 That a further report be presented to Cabinet detailing the revisions to the Carbon Budget in April 2011.

3.0 REASONS FOR RECOMMENDATIONS

- 3.1 Setting a Carbon Budget will help the Council to meet the local and national emissions targets. It will also assist in the management and operation of the government's Carbon Reduction Commitment Energy Efficiency Scheme (CRC).

4.0 BACKGROUND AND KEY ISSUES

- 4.1 In 2008, the Government passed the Climate Change Act, which introduced national carbon reduction targets. Through the Act, the UK is committed to reducing carbon emissions by 80% (from a 1990 baseline) by 2050, with a reduction in emissions of at least 34% by 2020. This means that all parts of the UK have to make substantial reductions in greenhouse gas emissions.
- 4.2 The Council is committed to reducing its emissions by 60% by 2025 and to adapt to the changes in climate that will occur. The Council has a Climate Change Policy, Action Plan and Carbon Reduction Programme that focuses on awareness, energy, adaptation and transport. Together with the Carbon Budget, they will help the Council to become more energy efficient, reduce carbon emissions and make financial savings.
- 4.3 A number of measures (See Appendix B) have been implemented since the first Carbon Budget (for 2010-11) was presented at Budget Cabinet on 22 February 2010 (Minute 335 refers) and Budget Council on 1 March 2010 (Minute 117 refers). Those measures will help us deliver on targets set out in this second (interim) Carbon Budget.
- 4.4 Other options to reduce the Council's carbon footprint will be developed with Departments and will contribute to meeting the targets set out in this and future annual Carbon Budgets. These will include recommendations from the public and the Living in Wirral Task Force as part of the 'Wirral's Future' consultation.
- 4.5 The methodology required to manage the Carbon Budget was set out in the report to Cabinet on 22 February 2010. In essence, each service's Carbon Budget is expected to decrease annually by its target figure, which equates to a 5% reduction to enable the Council to achieve its long term target of a 60% reduction by 2025.
- 4.6 The latest emission figures (as set out in Appendix A) relate to the period Oct 09 to Sept 10 and will be updated in April 2011. If the weather corrected figures are used to make a comparison it shows that the Council surpassed its target by 636 tonnes of CO₂.
- 4.7 The Council has made significant progress over the last four years to significantly reduce its carbon footprint. Progress on a number of ongoing projects was reported to the Sustainable Communities Overview and Scrutiny Committee which met on 21 June 2010 (Minute 59 refers). These include:
- Energy efficiency schemes, including Voltage Optimisation and Variable Speed Drives

- Renewable energy projects, including a pilot photo voltaic scheme at the Cheshire Lines Building
 - Awareness raising and promotional work, including the CRed website, Eco-schools and Energy Champions
 - Development of a green specification guide for new and refurbished Council buildings
 - Waste minimisation and recycling in Schools and Council buildings
 - Staff Travel Plan initiatives
- 4.8 It should be noted that no capital investment projects explicitly aimed at reducing emissions have been undertaken in the twelve months to September 2010, which the performance report in Appendix A is based upon.
- 4.9 Since June 2010 there have been many changes to national legislation. These include:
- The withdrawal of National Indicators 185, 186 and 188;
 - The significant alteration to the terms of the governments CRC Scheme; and,
 - Recommendations from the government's Committee on Climate Change to change the whole CRC process, which is intended to simplify the scheme.
- 4.10 The process will be reviewed and adjusted accordingly, once full details of the changes resulting from the restructuring of the Council are known.

5.0 RELEVANT RISKS

- 5.1 The greatest risk is not meeting the required targets set out in the carbon budget.
- 5.2 To minimise the risk of failing to meet the requirements of the Carbon Budget, Service Managers should plan to meet their Carbon Budgets by developing and incorporating CO₂ emissions management into service level decision making. They should include carbon management in their Service Delivery Plans, setting out how they aim to operate within their agreed carbon budget.
- 5.3 Departmental and Service Managers will be better informed about the management and the risks of non compliance with their Carbon Budget once full details of the proposed changes to the Council are known.
- 5.4 There are financial savings to be made through the implementation of energy efficient operations and low carbon innovation set out in the Carbon Budget Impact Statement, please refer to Appendix B. However, strong departmental leadership will be needed to ensure that carbon budgeting is fully integrated into mainstream financial management and business planning activity.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 Based on the Council resolution passed on the 14 December 2009 the only other option available is to do nothing, which is not a reasonable alternative.

7.0 CONSULTATION

7.1 Consultation is underway with Members. Further consultation will be undertaken with all Departments on the future development and implementation of the Council's Carbon Budget through the Business Planning process. Help and advice will be provided to identify areas of future savings. Help will also be given to report writers to enable them to identify and report the effect a particular report will have on the Carbon Budget in the newly introduced "CARBON REDUCTION IMPLICATIONS" section of Council Reports.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 The setting of the Council's Carbon Budget has no direct implications for voluntary, community and faith groups.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

9.1 There are no direct financial implications arising from this report. However, there are a number of carbon reduction projects currently being evaluated. If funding is approved the Carbon Budget Impact Statement in Appendix B will be revised to reflect the additional carbon savings. There are no staffing implications arising directly from this report. The rationalisation of the Council's assets will greatly assist in the delivery of the Carbon Budget as detailed within Appendix B.

10.0 LEGAL IMPLICATIONS

10.1 There are no direct legal implications arising from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are no equality implications arising from this report.

11.2 Equality Impact Assessment (EIA)

- | | |
|---------------------------------------|-----|
| (a) Is an EIA required? | No |
| (b) If 'yes', has one been completed? | N/A |

12.0 CARBON REDUCTION IMPLICATIONS

12.1 In accordance with the adopted recommendations from the 'Living in Wirral Task Force' we will continue to work to reduce the Council's Carbon Footprint by: improving our energy efficiency; reducing our energy needs; introducing renewable technologies; and, improving our overall environmental performance which will have a positive effect on energy use and reducing carbon emissions. We will also continue to work to develop and bring forward the 'Living in Wirral' Task Force recommendations on how the public's priorities for greater pace in this area of Council policy can be achieved.

12.2 If the proposals contained within the Carbon Budget Impact Statement 2011/12 are fully implemented the Council would reduce CO₂ emissions by

approximately 3140 tonnes which will positively assist in meeting future emissions targets.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 Where proposals are developed for combined heat and power which require external works to buildings planning permission may be required.

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APPENDICES

Appendix A – Carbon Budget Performance of Council Buildings

Appendix B – Carbon Budget Impact Statement

REFERENCE MATERIAL

Council – 14 December 2009, Minute 77 - MOTION: CARBON BUDGET
Budget Cabinet - 22 February 2010, Report “CARBON BUDGET 2010-11”

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|----------------------------|------------------|
| Council (Notice of Motion) | 14 December 2009 |
| Budget Cabinet | 22 February 2010 |
| Budget Council | 1 March 2010 |

Appendix A – Carbon Budget Performance of Council Buildings

| Responsible Department | Actual Emissions Oct 09 to Sept 2010 (kg) | Weather Compensated Emissions Performance Oct 09 to Sept 2010 (kg) | 2010/11 CO2 Emissions Target (kg) | Deviation from 2010/11 Emissions Target (kg) | Percentage deviation from 2010/11 Emissions Target | 2011/12 CO2 Emissions Target (kg) | Revised 2011/12 CO2 Emissions Target (kg) | Actual reduction from 2010/11 target required to meet revised 2011/12 CO2 Emissions Target (kg) |
|---------------------------|---|--|-----------------------------------|--|--|-----------------------------------|---|---|
| CORPORATE SERVICES | 777,391 | 752,705 | 768,362 | -15,657 | -2.04% | 728,023 | 728,023 | 40,339 |
| CYPD (Buildings) | 1,716,721 | 1,646,389 | 1,718,799 | -72,410 | -4.21% | 1,628,562 | 1,628,562 | 90,237 |
| CYPD (Schools) | 17,291,232 | 16,661,588 | 17,689,911 | -1,028,323 | -5.81% | 16,761,191 | 16,761,191 | 928,720 |
| DASS | 2,015,980 | 1,928,399 | 2,141,010 | -212,611 | -9.93% | 2,028,607 | 2,028,607 | 112,403 |
| FINANCE | 1,235,601 | 1,218,441 | 1,030,257 | 188,184 | +18.27% | 976,168 | 787,984 | 242,273 |
| LHR & AM | 251,055 | 242,241 | 471,090 | -228,849 | -48.58% | 446,358 | 446,358 | 24,732 |
| REGEN | 10,141,018 | 9,731,205 | 9,362,606 | 368,599 | +3.94% | 8,871,069 | 8,502,470 | 860,136 |
| TECH SERVICES | 9,771,807 | 9,747,790 | 9,363,651 | 384,139 | +4.10% | 8,872,060 | 8,487,921 | 875,730 |
| MISCELLANEOUS | 491,290 | 470,092 | 489,032 | -18,940 | -3.87% | 463,358 | 463,358 | 25,674 |
| TOTAL | 43,692,095 | 42,398,850 | 43,034,718 | -635,868 | -1.48% | 40,775,396 | 39,790,852 | 3,243,866 |

NOTE: To allow comparisons to be made here Regeneration Department was retained. Regeneration sites will be re-assigned from 1st April 2011, and departments will be advised of their individual carbon targets through the 2011/12 business planning process.

The revised list will be published in April 2011.

CARBON BUDGET IMPACT STATEMENT 2011-12

| Description of Service Change | Carbon (Tonnes of CO ₂) Reductions\Increases | Impact on Service Delivery | Risks | Other Impacts |
|---|--|--|---|--|
| PC Power Down Project | -310 | Positive impact on emissions Sets a good example to staff Improved maintenance Improved emissions information | Systems incompatible with IT Network Awaiting feedback\ approval from WITS | Cost optimisation If due to planned improvements to the IT system the PC Power Down project is progressed in the short term the Council would still benefit both financially and environmentally. Funding approved |
| Install Variable Speed Drive Controls to Various Sites | -471 | Positive impact on emissions Reduced maintenance costs Improved Plant Control | | Cost Optimisation Installation complete |
| Install Voltage Optimisation Systems to Various Sites | -56 | Positive impact on emissions Reduced maintenance Costs | | Cost optimisation Installation underway |
| PV Installation at Cheshire Lines Building | -2 | Positive impact on emissions | | FITS Income Installation Complete |
| Disposal of Bridge Court | -54 | Structural reduction in carbon emissions | | |
| Disposal of Westminster House | -188 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |

CARBON BUDGET IMPACT STATEMENT 2011-12

| Description of Service Change | Carbon (Tonnes of CO ₂) Reductions/Increases | Impact on Service Delivery | Risks | Other Impacts |
|--|--|---|---|---|
| Demolition of Feltree House | -123 | Structural reduction in carbon emissions | | |
| Disposal of Heswall Hall | -82 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | Site improvements prior to transfer |
| Disposal of Alexander Hall | -13 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |
| Disposal of Brookfield Childrens Home** | -32 | Structural reduction in carbon emissions should the review lead to closure or disposal | | ** Subject to the review of in-house residential provision. (Cabinet 9 December 2010) |
| Disposal or Transfer of DASS Properties*** (Mapleholme, Pensall, Poulton, Meadowcroft & Fernleigh) | -763 | Structural reduction in carbon emissions should the identified homes be transferred out of Council control or sold. | | *** Re-provision of respite and interim care is subject to further consultation. (Cabinet 9 December 2010) |
| 19 Heath Road | -2 | Structural reduction in carbon emissions | | Disposed 2009-10 <i>Carbon savings not previously reported or claimed</i> |
| 5-7 St Andrews Road | -15 | Structural reduction in carbon emissions | | Disposed 2009-10 <i>Carbon savings not previously reported or claimed</i> |
| 98 Bidston Road | -28 | Structural reduction in carbon emissions | | Disposed 2009-10 <i>Carbon savings not previously reported or claimed</i> |

CARBON BUDGET IMPACT STATEMENT 2011-12

| Description of Service Change | Carbon (Tonnes of CO ₂) Reductions/Increases | Impact on Service Delivery | Risks | Other Impacts |
|---------------------------------------|--|--|---|---------------|
| Delamere Community Centre | -11 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |
| Kylemore Community Centre | -15 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |
| Vale House | -47 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |
| Overton Community Centre | -25 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |
| Bromborough Social Centre | -22 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |
| Grange Road West Sports Centre | -92 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |
| Willowtree | -159 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |
| Hillcroft | -8 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |

CARBON BUDGET IMPACT STATEMENT 2011-12

| Description of Service Change | Carbon (Tonnes of CO ₂) Reductions/Increases | Impact on Service Delivery | Risks | Other Impacts |
|---|--|---|--|--|
| Fellowship House | -37 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |
| 245 Liscard Road | -8 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |
| Old Court House | -88 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |
| Oakenholt Road Complex | -39 | Structural reduction in carbon emissions | Disposal after 01/04/2011 may impact on emissions reduction | |
| Combined Heat and Power | -400 to 550 | Positive effect on emissions Early opt-out clause | Long term contract | Low Electricity Unit Cost Capital Investment: None using DEP Scheme Savings: TBC Payback: N/A |
| Awareness Raising | | Educates Users at all levels Raises motivation Positive effect on emissions Maintains performance levels | Impact difficult to assess Reduced Performance if not fully implemented | Cost Optimisation |
| TOTAL PROPOSED EMISSIONS REDUCTION | -3140 | Tonnes of CO₂ | | |

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METROPOLITAN BOROUGH OF WIRRAL

CABINET – 21 FEBRUARY 2011

BUDGET COUNCIL PROCEDURE

1. Executive Summary

1.1 This report proposes a procedure for the Budget meeting of the Council.

2. Background

2.1 Standing Order 13 provides that the Director of Law, H.R. and Asset Management “shall, prior to the Budget meeting of the Council, consult with the Leaders of each political group and submit to the Cabinet and Council a suggested procedure to be adopted at the budget meeting, but if no such procedure is adopted the normal procedures of the Council in relation to amendments to Cabinet recommendations will apply”.

3. Proposed procedure

3.1 The Budget meeting clearly is different from ordinary meetings and therefore the procedure that is proposed is based largely on that used since 2008, the relevant sections of the Constitution, and one or two suggestions made in the light of comments made in previous years. It is set out in the appendix to this report.

4. Outcome of consultation

4.1 As indicated above, the Party Leaders should be consulted on the procedure. Their views will be reported to the meeting.

5. Financial and Staffing Implications

5.1 There are no financial or staffing implications arising directly out of this report.

6. Other Implications

6.1 There are no implications arising out of this report in terms of equal opportunities, ethnic minorities, the elderly or the disabled; nor are there any implications relating to community safety, human rights, Local Agenda 21, planning or social inclusion.

7. Local Member Support

7.1 The report has no implications for individual wards.

8. Background Papers

8.1 Other than published works and the Council minutes, no background papers have been used in the preparation of this report.

9. Decision Required

9.1 The Cabinet is requested to approve the Budget Council procedure.

Bill Norman

Director of Law, H.R. and Asset Management

2 February 2010

COUNCIL – 1 March 2011

BUDGET COUNCIL PROCEDURE

1. Mayor's communications

2. Declarations of Interest / Restrictions on voting

Note: a letter on what restrictions might apply has been sent to all members

3. Petitions

Note: if a petition relates to the setting of the Budget, the member who presents it should be given the opportunity during the main debate to speak about it, in order that the Council can take account of it in that context.

4. Matters requiring approval by the Council

BUDGET

The Leader will formally move the Cabinet's Budget recommendations, with any additional paragraphs (e.g. those relating to precepts), plus any other minutes from the Cabinet meeting on 21 February that require approval by the Council.

Minutes formally seconded (Councillor Holbrook)

Budget debate

There will be one debate on the Budget (Cabinet minute xxx). Any alternative proposals to those of the Cabinet should have been lodged with the Director of Law, H.R. and Asset Management by **12.00noon on Thursday 24 February**.

The Leader of the Labour Group formally moves his Group's Budget proposals.

Formally seconded.

Any other amendments to the Budget recommendations are formally moved.

Each amendment is formally seconded.

Mayor calls speakers:

Councillor Green may request leave to save all or part of his time (15 minutes) until the end of the debate, in which case it will be added to the time for his right of reply (7 minutes).

Councillor Foulkes, speaking to Labour budget (15 minutes)

Movers of other amendments (7 minutes)

Note: if there are several such amendments, the Mayor should consider varying the order of movers to ensure a balanced debate.

Mayor will decide the order of other speakers (3 minutes each).

Note: Councillor S Clarke should be allocated 5 minutes by virtue of her speaking on the Schools Budget element.)

Debate ends with seconders, **unless** they have spoken earlier:

Councillor Holbrook, seconding Cabinet's budget (7 minutes)

Councillor P Davies, seconding Labour budget (5 minutes)

Seconders of other amendments (3 minutes each)

Leader's speech / right of reply (all or remainder of 22-minute allocation)

Voting:

The first vote will be on the Administration's budget, and if it falls

The Council votes on any other amendments.

Decision

If all amendments to the Budget fall, minute xxx of the Cabinet will be **taken as approved, without the need for any further vote**, in accordance with Standing Order 7(1).

If the proposed budget is amended, wholly or partly, that will be regarded as an in-principle decision, which will automatically come into effect five working days from the date of that decision, **unless** the Leader of the Council informs the Director of Law, H.R. and Asset Management in writing within that time that he objects to the decision becoming effective and provides reasons why.

In such circumstances, the Budget and Policy Framework provides for the Director to call another meeting of the Council within a further five days. The Council will then be required to reconsider its decision, and the Leader's written submission, within a further five working days. The actual position is that a reserve date (**Wednesday 9 March**) has been set aside for considering any objection by the Leader. At that second meeting the Council can:

- (i) accept the Cabinet's recommendation, without amendment or objection; or
- (ii) approve a different decision that does not accord with the recommendation of the Cabinet, by a simple majority of votes cast at the meeting.

Other objections

The Council will then debate, in the normal manner, any objections to other minutes that are subject to Council approval.

5. Vacancies

6. Any other business

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