



# Cabinet

## Budget Meeting

<b>Date:</b>	<b>Tuesday, 21 February 2012</b>
<b>Time:</b>	<b>5.00 pm</b>
<b>Venue:</b>	<b>Please note change of date and time</b> 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 2012/2013 (Pages 1 - 90)

### 4. COMMITTEE REFERRAL TO BUDGET CABINET - EARLY INTERVENTION GRANT (Pages 91 - 92)

### 5. BALANCE SHEET MANAGEMENT - REVIEW OF BALANCES INCLUDING GENERAL PROVISIONS AND RESERVES (Pages 93 - 104)

### 6. BENEFITS BUDGET, PROVISION AND RESERVE (Pages 105 - 110)

7. **STRATEGIC CHANGE PROGRAMME (Pages 111 - 124)**
8. **TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2012/2015 (Pages 125 - 154)**
9. **BUDGET COUNCIL PROCEDURE (Pages 155 - 160)**

#### **ENVIRONMENT**

10. **CARBON BUDGET 2012/2013 (Pages 161 - 172)**
11. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)**

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

12. **EXEMPT INFORMATION - EXCLUSION OF THE PRESS AND PUBLIC**

The following items contain exempt information.

RECOMMENDATION: That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

13. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 2)**

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



# ESTIMATES 2012/13

*Submitted to*  
*Cabinet – 20 February 2012*  
*and*  
*Council – 1 March 2012*

**WIRRAL COUNCIL**

**ESTIMATES 2012/13**

**CONTENTS**

<b><u>REPORT AND OVERVIEW OF THE DIRECTOR OF FINANCE</u></b>	<b>3</b>
Summary of the General Fund Estimates ('the Gold Sheet')	15
Savings agreed 2012/13	17
Efficiency Investment Budget	18
Policy Options	19
<b><u>APPENDIX A: REVENUE ESTIMATES</u></b>	
Revenue Estimates	21
Adult Social Services	23
Children and Young People	26
Finance	31
Law, HR and Asset Management	34
Regeneration, Housing and Planning	38
Technical Services	41
<b><u>APPENDIX B : CAPITAL PROGRAMME</u></b>	<b>45</b>
<b><u>APPENDIX C : INSURANCE FUND</u></b>	<b>63</b>
<b><u>SCHOOLS BUDGET</u></b>	<b>75</b>

## WIRRAL COUNCIL

### CABINET

20 FEBRUARY 2012

<b>SUBJECT</b>	<b>COUNCIL BUDGET 2012/13</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR STEVE FOULKES</b>
<b>KEY DECISION</b>	<b>YES</b>

#### 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 2012/13. Members are requested to agree the Council Budget and Council Tax levels for 2012/13.

#### 2.0 RECOMMENDATIONS

- 2.1 That Cabinet considers the Council Budget for 2012/13 and determines the levels of Council Tax for 2012/13.
- 2.2 That following the agreement of the Budget for 2012/13 a report be presented to Cabinet 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 2012/13 by 10 March 2012.

#### 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 was agreed by Cabinet on 22 September 2011 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 monitor to ensure that the above responsibilities are being met. Given the severe financial constraints across the 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 Cabinet are now requested to agree the Budget for 2012/13. Whilst the Government Spending Review announced indicative Formula Grant funding for local government over the next four years the Local Government Finance Settlement provides the detail for individual local authorities. The figures announced in the Final Settlement on 31 January 2012 were in accord with those indicated a year earlier. Cabinet on 15 March 2012 will be requested to consider indicative budgets for future financial years.

4.4.2 The Base Estimate for 2012/13 consolidates the budgets of individual services and the savings considered by Cabinet up to, and including the decisions taken on 2 February 2012. 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 3 November 2011 no inflation has been included for general prices. Contracts have not received inflation increases with the exception of the street lighting energy contract which also includes a part year effect in 2011/12. 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 2012/13 which is the same as for 2011/12. Consequently the tax base has been adjusted by the estimated collection rate of 98.5%, as agreed by Cabinet on 8 December 2011.

4.4.5 Regular reports have been presented to Cabinet throughout the financial year highlighting the projected financial position for 2012/13 with the most recent being submitted to Cabinet on 8 December 2011. The present position as detailed in the Summary of General Fund Estimates is:-.

Summary	£million
Budget Requirement	290.6
Income before any Council Tax rise	287.5
Difference between requirement and income	3.1

4.4.6 The Government has re-affirmed its position regarding Council Tax rises. The second year of the Council Tax Freeze Grant, equivalent to a 2.5% Council Tax increase for those billing authorities who agreed a 0% increase, applies in 2012/13. The Government confirmed that a similar arrangement would apply for Council Tax setting in 2012/13 although this additional arrangement only applies for the 2012/13 financial year.

4.4.7 Authorities wishing to increase Council Tax may do so, which ensures the income for future years. However, following the implementation of the Localism Act the authority will be required to seek the approval of the local electorate in a referendum if, compared with 2011/12, the Council Tax increase for 2012/13 exceeds 3.5%. This is based upon the increase in the Council Tax Relevant Basic Amount (the net budget requirement for Wirral services excluding levies).

4.4.8 Estimated General Fund balances at 31 March 2012 are £6.5 million and the Council will be expected to set a budget for 2012/13 leaving a minimum of £6 million in balances. This 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 2011/12**

4.5.1 Since setting the budget for 2011/12 a number of changes have taken place. These have included the allocation of the resource that was set aside to meet the costs of any restructuring following the Early Voluntary Retirement / Voluntary Severance (EVR / VS) Scheme. Additional resources were also allocated to the Department of Adult Social Services for re-provision costs. The Council successfully applied to the Government to treat as capital spend the statutory redundancy element of the EVR / VS costs in 2011/12.

4.5.2 As in previous years there have been internal transfers between departments to reflect the re-allocation of service responsibilities and the re-allocation of central and departmental support charges and capital charges which do not affect the level of spending. These are included in the detailed estimates report.

4.5.3 A summary of the main changes from the Base Estimate for 2011/12 to the Current Estimate for 2011/12 is as follows:-

Details	£million	£million
Base Estimate 2011/12		294.8
Increased expenditure/reduced income		
Adult Social Services re-provision costs	3.5	
Retention of Fernleigh for 2011/12	0.5	
Integrated Transport Unit	0.3	
New Homes Bonus used for housing	0.3	
Corporate Governance	0.3	
Energy costs Street Lighting	0.3	
Children's and Schools Employees Pay	<u>0.2</u>	+5.4
Reduced expenditure / increased income		
EVR / VS costs met in 2011/12	4.4	
Local Support Services Grant	0.5	
Carbon Reduction Scheme	<u>0.3</u>	-5.2
Current Estimate 2011/12		295.0

4.5.4 The latest projections for the current financial year, based upon the position at 31 January 2012 are included within the Summary of General Fund Estimates. Efforts continue to contain spend within the departmental budgets. Whilst no adjustments have been agreed in respect of the following potential variations and pressures which, if they do occur, the impact on balances has been reflected in the Summary of General Fund Estimates (the Gold Sheet):-

Department / potential variation	£million	£million
Adult Social Services	+6.9	
Essentially pressures on community care services		
Children and Young People	+1.1	
Residential and Foster Care placements		
Regeneration, Housing and Planning	+0.5	8.5
Income shortfalls primarily building control		
Actions to offset the potential overspends		
Adult Social Services – contribution from health	-1.0	
Finance – Treasury Management activities	-2.5	
Regeneration – broadband facility	-1.0	-4.5
Net potential overspend		4.0

## 4.6 FINANCIAL YEAR 2012/13

4.6.1 A summary of the main changes from the Base Estimate for 2011/12 to the Base Estimate for 2012/13 is:-

Details	£million	£million
Budget Requirement 2011/12		294.8
Adjustments for		
One-off use of balances	+7.2	
EVR / VS scheme costs (one-off)	-4.4	
Policy Options 2010/11 only	<u>-2.8</u>	<u>—</u>
Revised Budget Requirement		294.8
Increased requirements		
Adult Social Services Re-provision Costs	3.5	
Efficiency Investment Budget	2.0	
Capital financing	0.9	
Pay Inflation	0.6	
Energy Costs Street Lighting	0.5	
Transport Costs	0.5	
Technical not achieving savings	0.3	
Merseytravel	0.3	
Pension Contributions	0.3	
New Homes Bonus	0.3	
Schools Private Finance Initiative	0.3	
Other requirements	<u>0.3</u>	+9.8
Reduced requirements		
Commissioning in Adults	1.6	
Pay Award 2010/11	1.4	
Waste Authority Levy	1.3	
Procurement	1.2	
Housing Benefit	1.2	
Broadband Scheme	1.1	
Home Insulation Programme	1.0	
Early Intervention Grant activities	1.0	
Income inflation	1.0	
Early Voluntary Retirements	0.9	
Local Support Services Grant increase	0.7	
IT and Printing Services	0.6	
Carbon Reduction Scheme	0.3	
Other departmental savings	<u>0.7</u>	-14.0
Budget Requirement 2012/13		290.6

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 2011/12 financial year are detailed in Appendix A.

4.6.3 The one year only Policy Options agreed for the 2011/12 financial year have been deleted from the Base Estimate 2012/13 and are detailed in Appendix A.

#### 4.7. LOCAL GOVERNMENT FINANCE SETTLEMENT

4.7.1 Whilst the Government Spending Review 2010 set out the plans at a high level for the next four years the Local Government Finance Settlement detailed the Government grant support for the first two years for individual local authorities.

4.7.2 The Final Settlement for 2011/13 was announced by the Department for Communities and Local Government (DCLG) was announced on 31 January 2011. The Final Settlement for 2012/13 was announced on 31 January 2012 and the figures were confirmed as those previously published in January 2011 and December 2011. As the second year of a multi-year Settlement there would only be changes under exceptional circumstances. Having fully considered all the representations received during the consultation period Ministers did not find any such exceptional circumstances.

4.7.3 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.

4.7.4 As detailed in the reports to Cabinet on 13 January 2011 and 2 February 2012 the Local Government Finance Settlement included for Wirral:-

Components	2011/12	2012/13
	£ million	£ million
Relative Needs	130.8	120.2
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	144.7

- 4.7.5 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 with St. Helens, Sefton and Wirral placed in Band 2. For Wirral in 2012/13 the pre-damping reduction was £15.2 million (10%) and post-damping £13.2 million (8.4%).
- 4.7.6 Details of the Other Grants were reported to Cabinet on 2 February 2012. This reported on the changes in grant funding with particular reference to the increases in Early Intervention Grant (to reflect the Government commitment to provide additional funding for the education of disadvantaged 2 year olds to be in place from 2013) and the Learning Disability Grant. These have been included within the Departmental Estimates. The increase of £0.7 million in the New Homes Bonus is a general grant and the increased income has been included in the Budget 2012/13.
- 4.7.7 The Dedicated Schools Grant remains a Specific Grant to provide funding to Schools, based upon pupil numbers, and the full allocation has been included within the Schools Budget 2012/13.
- 4.7.8 In respect of the National Health Service support this is funding allocated to health authorities but has to be paid to local authorities for spending on jointly agreed initiatives for health related care services. The £4.9 million sum was included in the Budget 2011/12 with this sum reducing to £4.7 million in 2012/13.
- 4.7.9 The Government 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 was equivalent to the revenue that would have been raised by a 2.5% Council Tax increase. For 2012/13 a similar arrangement has been available by the Government although this funding is for 2012/13 only. Authorities applying any increase will not receive the grant and the approval of the local electorate in a referendum is required for increases over 3.5% for principal authorities. This allows local people to approve or veto excessive Council Tax rises.

#### **4.8. COLLECTION FUND**

- 4.8.1 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%. Collection above this rate generates a surplus for distribution whilst any under-performance has to be recovered from the Council and the precepting authorities.

4.8.2 The estimated Collection Fund balance for the year ending 31 March 2012 was reported to Cabinet on 12 January 2012. Improved Council Tax receipts and a lower than anticipated contribution to the bad debt provision meant the Fund was £1 million in surplus at 31 March 2011. For 2011/12 changes were introduced to the exemptions available on empty properties. However the additional income was from empty properties so is more difficult to collect with collection rates currently 0.3% below last year's level. The granting of other exemptions such as single person discount further reduces the sum actually collected.

4.8.3 The Fund is estimated to have a surplus of £1.7 million at 31 March 2012 and the Council will receive £1,455,030 of this sum in 2012/13. The 2011/12 Budget assumed £1.3 million would be received from a surplus distribution by 31 March 2012. This amount is included within the £1,455,030 and will now be received when the distribution is made during 2012/13.

#### 4.9. TAX BASE

4.9.1 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.

4.9.2 The tax base used in the calculation was reported to Cabinet on 8 December 2011. The tax base of 107,672.7 is adjusted by the estimated collection rate of 98.5% to give an adjusted tax base of 106,058. It is this figure that is used in calculating the Council Tax and the 2012/13 figure shows an increase of 1.1% on the 2011/12 and equates to an increase in income of £1.4 million.

Council Tax Band		Properties	Discounted Dwellings	Band Ratio	Band D Equivalent
A	Up to £40,000	58,777	48,750.00	6/9	32,500.0
B	£ 40 - £ 52,000	31,207	27,456.75	7/9	21,355.3
C	£ 52 - £ 68,000	27,225	24,538.75	8/9	21,812.2
D	£ 68 - £ 88,000	13,039	11,905.25	9/9	11,905.3
E	£ 88 - £120,000	8,043	7,416.00	11/9	9,064.0
F	£120 - £160,000	4,276	3,979.50	13/9	5,748.2
G	£160 - £320,000	3,093	2,863.50	15/9	4,772.5
H	Over £320,000	269	230.50	18/9	461.0
		145,929			107,618.5
Add : Band A Disabled Relief Band D equivalent					54.2
Total Council Tax Base 2012/13					107,672.7
Estimated Collection Rate					x 98.5%
Adjusted Council Tax Case 2012/13					106,058
Adjusted Council Tax Base 2011/12					104,879

#### 4.10. BALANCES

4.10.1 The budget for 2011/12 was set leaving £6.9 million in balances and the anticipated balances at 31 March 2012 can be summarised below: -

	£million	£million
Actual Balances at 1 April 2011		14.1
Used to support EVR / VS Scheme	4.4	
Used to support 2011/12 policy options	<u>2.8</u>	-7.2
Add		
Release of Connexions Reserve	4.4	
Capitalisation of EVR / VS scheme costs	2.6	
Pay Award 2010/11 provision not required	1.4	
Additional following completion of 2010/11 accounts	1.0	
Local Support Services Grant	<u>0.5</u>	+9.9
Less: Other Variations		
Adult Social Services Re-provision costs	3.5	
Collection Fund distribution now 2012/13	1.3	
Retention of Fernleigh for 2011/12	0.5	
Integrated Transport Unit	0.3	
Corporate Governance	0.3	
New Homes Bonus	0.3	
Other Minor Variations	<u>0.1</u>	-6.3
Use of Balances to meet potential overspend		-4.0
Projected Balances at 31 March 2012		6.5

4.10.2 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. As with 2011/12 the sum of £6 million represents an acceptable level having regard to the financial position of, and the pressures facing, the Council as highlighted in the Medium Term Financial Strategy. 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, with the latest report presented to Cabinet on 20 February 2012.

#### **4.11. BUDGET SUSTAINABILITY AND PROJECTED BUDGETS**

- 4.11.1 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 with 2012/13 being the second year of a two year Settlement. A further two year Settlement is to be announced following the Local Government Resources Review which the Government will implement for 2013/14. Future year budget projections are regularly updated and reported to Cabinet to enable the continued meeting of the objectives within the available resources.
- 4.11.2 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 'front-loaded' programme of reductions in Government grant support as part of the Government actions to reduce the level of public sector debt. These reductions place significant pressure upon the financial position of the Council.
- 4.11.3 The Council continues to identify savings, often requiring difficult decisions. 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.

#### **4.12. CORPORATE, DEPARTMENTAL AND FINANCIAL PLANS**

- 4.12.1 Cabinet on 2 February 2012 considered the Corporate Plan that had been subject to scrutiny and consultation with partners and external bodies following consideration by Council on 12 December 2011. The Plan details the vision for Wirral and the strategic goals for the next three years under the themes of Your Economy, Your Family, Your Neighbourhood and Your Council.
- 4.12.2 The Corporate Plan will be supported by Departmental Service Plans that provide further detail on the delivery of the Corporate Plan objectives.
- 4.12.3 The Council Budget shows how resources are used to deliver the Plan and updated Estimates will be produced to reflect the agreed Budget 2012/13 whilst updated Departmental Service Plans will show how they contribute towards delivering the Corporate Plan objectives.

#### **4.13. REVENUE ESTIMATES**

- 4.13.1 This report identifies the latest position regarding the draft Budget for 2012/13 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.

4.13.2 Appendix A contains the Summary General Fund Estimates together with details of agreed savings, use of the Efficiency Investment Budget and the Policy options that were approved for the 2011/12 financial year only.

## 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. Use of balances to offset unplanned variations.
Savings lead to unplanned service impacts	Corporate Plan / Departmental plans clear on aims. Service impact assessments of savings.
Service spend underestimated (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 confirmed for 2 years. Medium Term Financial Plan includes for regular Budget Projections updates.
Council Tax Freeze Grant is only short-term funding	Reflect in budget projections. Identify actions to offset future loss of grant.
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 You Choose Budget Simulator and the Neighbourhood Plan consultation exercises informed the Corporate Plan and the 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

9.1. The financial implications are detailed within the report.

9.2. There are no staffing, asset or IT implications arising directly from this report.

## **10.0 LEGAL IMPLICATIONS**

10.1 The Council has a duty to agree a Budget by 10 March 2012.

## **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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## **APPENDICES**

Appendix A - Draft Summary Revenue Estimates 2012/13.

Appendix B - Capital Programme 2012/15.

Appendix C - Insurance Fund 2012/13

## **REFERENCE MATERIAL / SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Cabinet - Balance Sheet Management	20 February 2012
Cabinet - Final Local Government Finance Settlement 2012/13	2 February 2012
Cabinet - Merseyside Pension Fund Budget 2012/13	2 February 2012
Cabinet - Collection Fund	12 January 2012
Cabinet - Budget Projections 2012/15 (latest update)	8 December 2011
Cabinet - Capital Programme and Financing 2012/15	8 December 2011
Cabinet - Tax Base 2012/13	8 December 2011
Cabinet - Insurance Fund Budget 2012/13	24 November 2011
Cabinet - Medium Term Financial Strategy	22 September 2011

## WIRRAL COUNCIL

### SUMMARY OF GENERAL FUND ESTIMATES

	BASE ESTIMATE 2011/12 £	CURRENT ESTIMATE 2011/12 £	BASE ESTIMATE 2012/13 £
<b>EXPENDITURE</b>			
<b>Departmental budgets</b>	<b>266,426,900</b>	<b>272,864,000</b>	<b>261,933,500</b>
Merseytravel	28,817,000	28,817,000	29,060,000
Local Pay Review	956,300	545,900	545,900
Contribution to Fund EVR/VS Scheme	5,794,700	0	0
EVR / VS Scheme 2012 Savings	0	0	(910,000)
<b>Net budget</b>	<b>301,994,900</b>	<b>302,226,900</b>	<b>290,629,400</b>
Potential departmental overspends	0	4,000,000	0
Contribution from balances	(7,165,900)	(11,215,300)	0
<b>BUDGET REQUIREMENT</b>	<b>294,829,000</b>	<b>295,011,600</b>	<b>290,629,400</b>
<b>INCOME</b>			
Revenue Support Grant	37,498,000	37,498,000	(471,100)
National Non Domestic Rate	121,312,000	121,312,000	145,208,200
Council Tax Freeze Grant	3,285,000	3,285,000	6,572,800
Local Support Services Grant	0	1,222,600	804,400
New Homes Bonus	0	260,000	1,000,500
Council Tax Income	131,434,000	131,434,000	132,911,000
Collection Fund Surplus	1,300,000	0	1,455,100
<b>TOTAL INCOME</b>	<b>294,829,000</b>	<b>295,011,600</b>	<b>287,480,900</b>
<b>STATEMENT OF GENERAL BALANCE</b>			
General Balance at 1 April	14,070,600	14,070,600	6,455,300
Adjustment (following 2010/11 outturn)	0	1,000,000	0
Contribution from Capitalisation	0	2,600,000	0
Budgeted contribution	(7,165,900)	(7,215,300)	0
Provision to meet departmental overspends	0	(4,000,000)	0
<b>GENERAL BALANCE AT 31 MARCH</b>	<b>6,904,700</b>	<b>6,455,300</b>	<b>6,455,300</b>

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**WIRRAL COUNCIL**  
**SAVINGS AGREED 2012/13**

<b>Department and scheme</b>	<b>£</b>
<b>Adult Social Services</b>	
Commissioning of Services	1,600,000
Procurement	26,000
<b>Children and Young People</b>	
Early Intervention Grant	1,000,000
Connexions Contract	250,000
Uncommitted School Intervention Funding	250,000
Procurement	246,000
<b>Finance</b>	
Housing Benefits	1,200,000
IT and Printing Services	550,000
Procurement (including corporate contracts)	189,000
<b>Law, HR and Asset Management</b>	
Procurement	33,000
<b>Regeneration, Housing and Planning</b>	
Broadband Facility	1,075,000
Home Insulation Programme	1,000,000
Supporting People Contracts	150,000
Merseyside Information Service	50,000
<b>Technical Services</b>	
Highways Administration	80,000
Procurement	745,000
<b>To be allocated</b>	
Early Voluntary Retirement Scheme	910,000
<b>Total Savings</b>	<b>9,354,000</b>

## 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 2011/12 financial year:-

<b>Department and scheme</b>	<b>2011/12 £</b>
<b>Adult Social Services</b> EVR / VS Re-provision	300,000
<b>Children and Young People</b> EVR / VS Re-provision	300,000
<b>Finance</b> EVR / VS Re-provision	90,000
Documentum Information Management System	60,000
Customer Relation Management System	100,000
<b>Law, HR and Asset Management</b> EVR / VS Re-provision	415,000
<b>Regeneration, Housing and Planning</b> EVR / VS Re-provision	294,000
<b>Technical Services</b> EVR / VS Re-provision	403,000
<b>Balance available for allocation</b> Including potential costs from the EVR / VS Scheme 2012/13	3,538,000
<b>Total Budget</b>	<b>5,500,000</b>

Cabinet agreed that £2 million be used to meet the costs of any restructuring and retraining requirements identified by each Chief Officer. The allocation of £1.8 million to Departments was agreed following consideration of an appropriate business case.

**WIRRAL COUNCIL**  
**POLICY OPTIONS 2011/12**

The following were agreed for 2011/12 only as part of the 2011/12 Budget.

<b>Department and scheme</b>	<b>£</b>	<b>Actions</b>
<b>Children and Young People</b>		
Sure Start	32,000	Additional support and equipment grant for every centre
Children in Care Conference	20,000	Communication and engagement.
Youth Hub	50,000	Support for On-side organisation to develop a hub in Birkenhead.
Anti-Social Behaviour Team	290,000	Funding for 12 months whilst full review of Council / partner services takes place
<b>Finance</b>		
Library Engagement	20,000	A campaign to communicate about library services
Library Equipment	120,000	Installation of wi-fi, information screens and an e-book service.
Get Into Reading	100,000	Further year funding for the project
Fair Trade	10,000	Wirral Fair Trade project
<b>Law, HR and Asset Mgt</b>		
Pacific Road Theatre	250,000	For retention of the facility whilst review of options is undertaken
Community Energy Efficiency Fund	57,000	Top up funding made available to support community groups.
Dog Kennels	7,400	Improvements to dog kennels
Allotments	50,000	Improvement and investment fund for allotments.
<b>Regeneration, Hsg &amp; Planning</b>		
Child Poverty Action Plan	10,000	Development of plan and engagement with communities.
Empty Shops	192,500	Funding for Area Forums to address empty shop issues
Business Support	500,000	£250,000 for 2011/12 & 2012/13 on dedicated support and 'Wirral Business Angels' scheme.
Area Forums	55,000	To assist forums with community consultation
<b>Technical Services</b>		
Car Parking	482,000	Free after three campaign
Street Cleansing	500,000	Programme of cleansing in local and district shopping areas
Armed Forces Veterans Support	20,000	Establishment of Armed Forces Community Welfare Pathway
<b>Total</b>	<b>2,765,900</b>	

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# **APPENDIX A**

## **WIRRAL COUNCIL**

### **DRAFT REVENUE ESTIMATES**

**2012/13**

**WIRRAL COUNCIL**  
**REVENUE ESTIMATES 2012/13**

**INTRODUCTION**

The following pages have been prepared to enable Members to consider the formulation of the Current Estimate for 2011/12 and the Base Estimate for 2012/13. They provide, for each General Fund Service, a revision of the 2011/12 Base Estimate to the Current Estimate, a summary of the Base Estimate 2012/13 and a subjective and objective analysis.

The estimates have been prepared at out-turn prices. The provision for pay awards is limited to those employees earning less than £21,000 per annum for 2012/13. No provision has been included for inflation on general prices and contracts whilst 3% is included for income.

The tables below include the decisions of Council up to, and including, the recommendations from Cabinet on 2 February 2012.

<b>DEPARTMENT</b>	<b>Base Estimate</b>	<b>Current Estimate</b>	<b>Base Estimate</b>
<b>EXPENDITURE</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Adult Social Services	64,745,000	68,464,500	65,520,900
Children & Young People	73,343,000	74,476,700	69,570,800
Education - Schools	0	190,000	2,745,100
Finance	26,637,700	25,587,600	27,626,200
Law H.R. Asset Management	15,936,500	15,839,200	14,884,700
Regeneration, Housing & Planning	25,407,400	25,455,000	22,581,200
Technical Services	60,357,300	62,851,000	59,004,600
	<b>266,426,900</b>	<b>272,864,000</b>	<b>261,933,500</b>

<b>CORPORATE PLAN THEME</b>	<b>Original</b>	<b>Current</b>	<b>Original</b>
	<b>2011/12</b>	<b>2011/12</b>	<b>2012/13</b>
Your Council	55,504,300	53,308,200	54,684,500
Your Environment	12,534,900	12,078,800	10,075,100
Your Family - Adults	65,228,700	69,386,000	65,473,000
Your Family - Young People	73,343,000	74,666,700	72,315,900
Your Neighbourhood	59,816,000	63,424,300	59,385,000
<b>Grand Total</b>	<b>266,426,900</b>	<b>272,864,000</b>	<b>261,933,500</b>

<b>ADULT SOCIAL SERVICES</b>	<b>Current Estimate</b>		<b>Base Estimate</b>	
	<b>2011/12</b>		<b>2012/13</b>	
<b>BUDGET CHANGES</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>BASE ESTIMATE 2011/12</b>		<b>63,431.5</b>		<b>63,431.5</b>
<u>Adjustments To Base</u>				
Pay increase for 2011/12	-	-	(188.8)	<b>(188.8)</b>
<u>Transfers Between Departments</u>				
Children – Transport Unit	1,240.8		1,243.6	
Finance – Financial Assessment Team	(338.4)		(338.4)	
Technical – Veterans Support Policy Option	(20.0)		(20.0)	
Law, HR, Asset Mgt – Trade Union staff	(20.2)		(20.2)	
Efficiency Investment Budget Reallocation	300.0		300.0	
		<b>1,162.2</b>		<b>1,165.0</b>
<u>Inflation</u>				
Pay and Pensions	-		131.7	
Income	-		(600.3)	<b>(468.6)</b>
<u>Increased Expenditure</u>				
Fernleigh	500.0		-	
Reprovision of services	3,500.0		3,500.0	
Learning Disabilities Grant	-		168.9	
		<b>4,000.0</b>		<b>3,668.9</b>
<u>Reduced Expenditure</u>				
Support Services	(129.2)		(436.5)	
Insurance	-		(58.6)	<b>(495.1)</b>
<u>Increased Income</u>				
Learning Disabilities Grant	-		(168.9)	<b>(168.9)</b>
<u>Reduced Income</u>				
Health Care Grant	-		203.0	<b>203.0</b>
<u>Savings</u>				
Procurement and Commissioning	-		(1,626.1)	<b>(1,626.1)</b>
<b>ESTIMATE 2011/12 and 2012/13</b>		<b>68,464.5</b>		<b>65,520.9</b>

<b>ADULT SOCIAL SERVICES</b>	<b>Base Estimate</b>	<b>Current Estimate</b>	<b>Base Estimate</b>
<b>SUBJECTIVE SUMMARY</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<u>Expenditure</u>			
Employees	21,631,000	21,921,300	21,675,600
Premises	1,207,500	928,100	903,700
Transport	5,109,400	1,735,300	1,738,100
Supplies and Services	75,083,400	76,239,700	74,461,000
Third Party Payments	4,483,400	4,574,100	4,566,000
Transfer Payments	104,500	104,500	104,500
Support Services	17,418,200	16,763,500	15,113,600
Financing Costs	1,155,100	1,155,100	1,155,100
	<b>126,192,500</b>	<b>123,421,600</b>	<b>119,717,600</b>
<u>LESS Income</u>			
Government Grants	(6,367,800)	(6,708,600)	(6,877,500)
Other Grants and Reimbursements	(10,505,000)	(10,505,000)	(11,895,600)
Customer and Client Receipts	(20,896,900)	(20,719,000)	(19,727,700)
Recharge to Other Revenue Accounts	(24,991,300)	(17,024,500)	(15,695,900)
	<b>(62,761,000)</b>	<b>(54,957,100)</b>	<b>(54,196,700)</b>
<b>ADULT SOCIAL SERVICES TOTAL</b>	<b>63,431,500</b>	<b>68,464,500</b>	<b>65,520,900</b>

<b>ADULT SOCIAL SERVICES</b>	<b>Base Estimate 2011/12</b>	<b>Current Estimate 2011/12</b>	<b>Base Estimate 2012/13</b>
<b>OBJECTIVE SUMMARY</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Direct Locality Support Services</u></b>			
Service Manager	-	455,100	(200)
Day Care	5,663,100	7,210,200	7,139,300
Residential Homes	2,514,800	3,499,700	2,795,100
Supported Employment	1,028,800	1,086,600	1,170,900
Supported Living	(404,000)	293,100	8,000
Transport	(1,313,500)	-	-
<b><u>Access &amp; Assessment</u></b>			
Service Manager	(4,300,000)	(4,877,300)	(4,697,300)
Bebington and West Wirral Locality	11,866,100	12,438,700	11,328,800
Birkenhead Locality	15,151,100	15,957,400	14,502,200
Wallasey Locality	9,017,400	9,388,800	8,609,000
Mental Health	5,217,600	5,355,300	4,552,900
Learning Disabilities	10,525,300	10,358,300	10,274,400
Equipment and Adaptations	1,295,300	1,295,300	1,285,900
Home Care	266,600	273,900	537,300
Emergency Duty Team	259,400	259,400	248,900
Other Services	717,400	739,400	1,222,000
<b><u>Integrated Communities &amp; Wellbeing</u></b>			
I C and W Support	98,600	296,100	272,100
Service Manager	-	(68,000)	(100)
Assessment and Care Management	2,158,700	2,222,100	2,177,700
Community Care	4,152,500	4,151,600	4,046,100
<b><u>Finance and Performance</u></b>			
Management	-	156,200	-
Property Management	56,300	(216,700)	47,900
Savings	(540,000)	(400,000)	-
Management and Support	-	(461,000)	-
Service Manager	-	(949,700)	-
<b>ADULT SOCIAL SERVICES TOTAL</b>	<b>63,431,500</b>	<b>68,464,500</b>	<b>65,520,900</b>

<b>CHILDREN &amp; YOUNG PEOPLE</b>	<b>Current Estimate</b>		<b>Base Estimate</b>	
	<b>2011/12</b>		<b>2012/13</b>	
<b>BUDGET CHANGES</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>BASE ESTIMATE 2011/12</b>		<b>74,753.3</b>		<b>74,753.3</b>
<u>Adjustment To Base</u>				
Pay increase for 2011/12	-	-	(234.9)	<b>(234.9)</b>
<u>Transfers Between Departments</u>				
Adults– Transport Unit	(1,240.8)		(1,243.6)	
Technical – Transport Unit	(96.8)		(96.8)	
Regeneration – Corporate Marketing	(10.0)		(10.0)	
Schools– Public Finance Initiative	-		(2,622.4)	
Efficiency Investment Budget Reallocation	300.0		300.0	
		<b>(1,047.6)</b>		<b>(3,672.8)</b>
<u>Inflation</u>				
Pay and Pensions	-		267.8	
Income	-		(59.2)	
		-		<b>208.6</b>
<u>Increased Expenditure</u>				
Local Pay Review	147.0		147.0	
Premature Retirement Costs	-		155.9	
Early Intervention Grant	-		569.0	
Integrated Transport Unit	340.0		340.0	
Support to Local Transport	200.1		248.2	
Support Services	83.9		-	
		<b>771.0</b>		<b>1,460.1</b>
<u>Reduced Expenditure</u>				
2011/12 One Year Policy Options:				
Anti Social Behaviour Team	-		(290.0)	
Youth Hub	-		(50.0)	
Sure Start	-		(32.0)	
Children In Care Conference	-		(20.0)	
Support Services	-		(43.8)	
Insurance	-		(62.0)	
Family Group Conferencing	-		(130.0)	
Apprenticeships Scheme	-		(1,481.0)	
Social Care Trainees	-		(387.3)	
Music Service Restructure	-		(365.9)	
Playing in the Peninsula	-		(124.1)	
		-		<b>(2,986.1)</b>
<u>Increased Income</u>				
Early Intervention Grant	-		(569.0)	
		-		<b>(569.0)</b>
<u>Reduced Income</u>				
Apprenticeships Scheme	-		1,481.0	
Social Care Trainees	-		387.3	
Music Service Restructure	-		365.9	

Playing in the Peninsula	-		124.1	
		-		<b>2,358.3</b>
<u>Savings</u>				
Early Intervention Grant	-		(1,000.0)	
Connexions Contract	-		(250.0)	
Schools Improvement	-		(250.0)	
Procurement	-		(246.7)	
		-		<b>(1,746.7)</b>
<b>ESTIMATE 2011/12 and 2012/13</b>		<b>74,476.7</b>		<b>69,570.8</b>

<b>CHILDREN &amp; YOUNG PEOPLE</b>	<b>Base Estimate</b>	<b>Current Estimate</b>	<b>Base Estimate</b>
<b>SUBJECTIVE SUMMARY</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<u>Expenditure</u>			
Employees	42,613,300	45,338,500	45,399,000
Premises	2,187,900	2,313,500	1,784,600
Transport	1,164,300	5,276,100	5,317,800
Supplies and Services	26,450,200	27,153,800	18,637,600
Third Party Payments	11,099,000	11,669,800	10,667,600
Transfer Payments	2,406,100	1,732,100	455,500
Support Services	24,339,000	20,671,600	20,376,500
Financing Costs	17,696,500	18,057,100	18,057,100
	<b>127,956,300</b>	<b>132,212,500</b>	<b>120,695,700</b>
<u>LESS Income</u>			
Government Grants	(25,097,100)	(25,130,900)	(20,164,900)
Other Grants and Reimbursements	(5,243,000)	(5,263,900)	(3,914,200)
Customer and Client Receipts	(892,300)	(1,124,700)	(1,560,900)
Recharge to Other Revenue Accounts	(21,970,600)	(26,216,300)	(25,484,900)
	<b>(53,203,000)</b>	<b>(57,735,800)</b>	<b>(51,124,900)</b>
<b>CHILDREN &amp; YOUNG PEOPLE TOTAL</b>	<b>74,753,300</b>	<b>74,476,700</b>	<b>69,570,800</b>

<b>CHILDREN &amp; YOUNG PEOPLE</b>	<b>Base Estimate 2011/12</b>	<b>Current Estimate 2011/12</b>	<b>Base Estimate 2012/13</b>
<b>OBJECTIVE SUMMARY</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Children's Services</u></b>			
Looked After Children's Service	119,300	119,300	170,100
Adoption Services	1,586,700	1,586,700	1,675,800
Assessment and Care Management	24,831,200	24,719,100	25,106,600
Commissioning	1,350,100	1,350,100	240,800
Childrens Homes	1,715,400	1,862,400	1,577,700
Family Centres	2,876,400	2,882,700	2,766,200
Foster/Family Placements	1,466,600	1,456,600	1,325,800
Home Care	562,500	562,500	552,300
Leaving Care	1,126,100	1,126,100	1,040,300
Social Care Management & Training	-	37,900	-
Youth Offending Service	937,200	-	-
Carers Grant	224,700	224,700	224,700
Multi Disciplinary Area Teams	546,000	546,000	521,800
Aiming Higher for Disabled Children	-	-	-
<b><u>LEA School Costs</u></b>			
Regulation	2,067,300	1,861,500	1,876,000
Premature Retirement Costs	3,562,600	3,562,600	3,725,900
Other SEN Costs	106,800	106,800	106,800
School Improvement	2,210,900	2,210,900	1,953,500
Asset Management	3,148,600	3,148,600	541,400
Home to School Transport	5,140,400	-	-
Oaklands Centre	78,400	78,400	68,800
Social Welfare Service	687,000	702,600	662,200
Psychology Service	1,070,400	1,080,000	1,079,300
Education Quality	-	-	-
<b><u>Management &amp; Support Services</u></b>			
Inspection & Advisory Service	-	266,400	-
Debt Management	14,808,500	14,808,500	14,805,800
Professional Development Centre	-	12,300	-
<b><u>Non School Costs</u></b>			
Adult & Community Learning	72,000	72,000	71,300
Youth Service	2,210,800	2,225,400	2,244,800
Play Service	583,300	583,300	586,200
Positive Activities for Young People	625,800	625,800	603,800
Instrumental Music Services	-	-	-
LEA Initiatives	48,600	48,600	48,600
Safeguarding Board	-	102,900	103,300
Merseyside Connexions	460,300	460,300	210,300
Youth Offending Service	-	864,000	862,300
Anti Social Behaviour Team	497,400	497,400	155,900

**Early Intervention Grant**

Childrens Centres	32,000	32,000	-
General Sure Start Grant	-	6,700	-

**Integrated Transport Unit**

Home to School Transport	-	4,640,500	4,662,500
Transport Control		5,100	-

**CHILDREN & YOUNG PEOPLE TOTAL    74,753,300            74,476,700            69,570,800**

<b>FINANCE</b>	<b>Current Estimate</b>		<b>Base Estimate</b>	
	<b>2011/12</b>		<b>2012/13</b>	
<b>BUDGET CHANGES</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>BASE ESTIMATE 2011/12</b>		<b>26,637.7</b>		<b>26,637.7</b>
<u>Adjustments To Base</u>				
Pay increase for 2011/12	-		(155.6)	(155.6)
<u>Transfers Between Departments</u>				
To Depts – Efficiency Investment Budget	(1,712.0)		(1,712.0)	
To Depts – Procurement Savings 2011/12	431.9		1,031.7	
Regeneration – Handy Person Funding	(126.0)		(126.0)	
Regeneration – Staff	20.0		57.0	
Adults – Financial Assessment Team	338.4		338.4	
Technical Services – Change Team	-		263.8	
		<b>(1,047.7)</b>		<b>(147.1)</b>
<u>Inflation</u>				
Pay and Pensions	-		194.6	
Income	-		(26.7)	
				<b>167.9</b>
<u>Increased Expenditure</u>				
Efficiency Investment Budget	-		2,000.0	
Capital Financing Costs	-		700.0	
				<b>2,700.0</b>
<u>Reduced Expenditure</u>				
2011/12 One Year Policy Options:				
Library Equipment	-		(120.0)	
Get Into Reading	-		(100.0)	
Library Engagement	-		(20.0)	
Fair Trade	-		(10.0)	
Support Services	(2.4)		-	
		<b>(2.4)</b>		<b>(250.0)</b>
<u>Reduced Income</u>				
Housing Benefits Admin Grant	-		202.4	
Support Services	-		410.8	
				<b>613.2</b>
<u>Savings</u>				
Housing Benefits	-		(1,200.0)	
IT Services	-		(400.0)	
Printing (to be allocated to departments)	-		(150.0)	
Procurement (to be allocated to departments)	-		(115.4)	
Procurement Finance Department	-		(74.5)	
				<b>(1,939.9)</b>
<b>ESTIMATE 2011/12 and 2012/13</b>		<b>25,587.6</b>		<b>27,626.2</b>

<b>FINANCE</b>	<b>Base Estimate 2011/12 £</b>	<b>Current Estimate 2011/12 £</b>	<b>Base Estimate 2012/13 £</b>
<b>SUBJECTIVE SUMMARY</b>			
<u>Expenditure</u>			
Employees	30,031,900	30,448,500	31,020,800
Premises	894,800	879,200	897,700
Transport	215,100	242,700	243,000
Supplies and Services	5,398,300	6,136,850	6,150,800
Third Party Payments	11,507,100	14,452,400	14,446,500
Transfer Payments	164,945,900	164,953,000	162,553,000
Support Services	18,646,550	16,487,250	18,711,400
Financing Costs	28,156,150	28,030,150	27,925,900
	<b>259,795,800</b>	<b>261,630,050</b>	<b>261,949,100</b>
<u>LESS</u> Income			
Government Grants	(162,754,300)	(162,754,300)	(161,451,900)
Other Grants and Reimbursements	(986,800)	(1,116,800)	(1,058,800)
Customer and Client Receipts	(3,279,400)	(3,212,600)	(3,127,300)
Interest	(1,300,000)	(1,300,000)	(1,000,000)
Recharge to Other Revenue Accounts	(64,837,600)	(67,658,750)	(67,684,900)
	<b>(233,158,100)</b>	<b>(236,042,450)</b>	<b>(234,322,900)</b>
<b>FINANCE TOTAL</b>	<b>26,637,700</b>	<b>25,587,600</b>	<b>27,626,200</b>

<b>FINANCE</b>	<b>Base Estimate 2011/12</b>	<b>Current Estimate 2011/12</b>	<b>Base Estimate 2012/13</b>
<b>OBJECTIVE SUMMARY</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Financial Services</u></b>			
Financial Services	-	-	-
Payroll & Tax Control	-	-	-
Treasury Management	11,640,350	10,962,700	11,513,100
Pensions and Funding Costs	3,303,100	3,224,400	3,310,000
<b><u>IT Services</u></b>			
IT Services	750,000	620,000	592,000
Information Management	446,400	506,400	430,700
Printing	-	-	-
IT Support	-	-	-
IT Technical Support Services	-	-	-
Infrastructure	-	-	-
Superstructure	-	-	-
Central Telephones	-	-	-
<b><u>Pension Fund</u></b>			
Pension Fund	-	-	-
<b><u>Benefits and Revenue Services</u></b>			
Benefits	9,319,500	9,714,500	8,771,650
Revenues	4,881,550	4,900,950	5,250,850
Administration and Management	-	-	-
<b><u>Customer Services</u></b>			
Call Centre	(71,200)	-	-
Libraries	7,127,900	7,131,000	6,676,200
Customer Services Development	329,600	453,200	477,200
<b><u>Governance and Audit</u></b>			
Internal Audit	-	-	-
Procurement	-	-	-
Business Architecture	-	-	-
Change Management	133,400	183,000	429,200
<b><u>Other Services</u></b>			
Efficiency Fund	5,615,900	3,538,000	5,538,000
Strategic Change Programme Savings	(2,950,000)	(2,309,400)	(2,067,500)
Statutory Appropriations	(13,888,800)	(13,337,150)	(13,295,200)
<b>FINANCE TOTAL</b>	<b>26,637,700</b>	<b>25,587,600</b>	<b>27,626,200</b>

<b>LAW, HR, ASSET MANAGEMENT</b>	<b>Current Estimate</b>		<b>Base Estimate</b>	
	<b>2011/12</b>		<b>2012/13</b>	
<b>BUDGET CHANGES</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>BASE ESTIMATE 2011/12</b>		<b>16,224.5</b>		<b>16,224.5</b>
<u>Adjustments To Base</u>				
Pay increase for 2011/12	-		(55.6)	(55.6)
		-		
<u>Transfers Between Departments</u>				
Technical – Energy Conservation	188.0		188.0	
Technical - Plant Maintenance	247.4		247.4	
Technical – Service Cost Transfer	(1,042.6)		(1,042.6)	
Finance – Procurement Savings 2011/12	(168.6)		(701.6)	
Adults – Trade Union staff	20.2		20.2	
Regeneration – Right to Buy charge	12.7		12.7	
Efficiency Investment Budget Reallocation	415.0		415.0	
		<b>(327.9)</b>		<b>(860.9)</b>
<u>Inflation</u>				
Pay and Pensions	-		87.8	
Income	-		(27.1)	
		-		<b>60.7</b>
<u>Increased Expenditure</u>				
Local Pay Review	55.0		55.0	
Corporate Governance Review	250.0		-	
Millennium Centre	-		160.0	
Support Services	-		46.9	
Human Resources Costs	-		180.0	
		<b>305.0</b>		<b>441.9</b>
<u>Reduced Expenditure</u>				
2011/12 One Year Policy Options:				
Pacific Road Theatre	-		(250.0)	
Community Energy Efficiency Fund	-		(57.0)	
Dog Kennels	-		(7.4)	
Allotments	-		(50.0)	
Building Costs	-		(100.0)	
Audit Fees	-		(80.0)	
Insurance	-		(19.9)	
Support Services	(34.0)			
		<b>(34.0)</b>		<b>(564.3)</b>
<u>Increased Income</u>				
Carbon Reduction Scheme Contributions	(328.4)		(328.4)	
		<b>(328.4)</b>		<b>(328.4)</b>
<u>Savings</u>				
Procurement	-		(33.2)	
		-		<b>(33.2)</b>
<b>ESTIMATE 2011/12 and 2012/13</b>		<b>15,839.2</b>		<b>14,884.7</b>

<b>LAW, HR, ASSET MANAGEMENT</b>	<b>Base Estimate</b>	<b>Current Estimate</b>	<b>Base Estimate</b>
<b>SUBJECTIVE SUMMARY</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<u>Expenditure</u>			
Employees	13,010,900	14,376,200	14,394,100
Premises	9,738,600	8,591,700	8,432,800
Transport	462,700	498,200	498,200
Supplies and Services	3,628,300	3,466,600	2,902,900
Third Party Payments	1,764,300	2,120,300	1,813,300
Transfer Payments	(215,500)	800	800
Support Services	10,784,300	9,825,000	10,201,500
Financing Costs	6,802,500	6,802,500	6,677,600
	<b>45,976,100</b>	<b>45,681,300</b>	<b>44,921,200</b>
<u>LESS Income</u>			
Government Grants	(283,600)	(283,600)	(283,600)
Other Grants and Reimbursements	(84,100)	(84,100)	(84,100)
Customer and Client Receipts	(6,586,700)	(3,405,200)	(3,432,300)
Interest	(10,000)	(10,000)	(10,000)
Recharge to Other Revenue Accounts	(22,787,200)	(26,059,200)	(26,226,500)
	<b>(29,751,600)</b>	<b>(29,842,100)</b>	<b>(30,036,500)</b>
<b>LAW, HR, ASSET MANAGEMENT TOTAL</b>	<b>16,224,500</b>	<b>15,839,200</b>	<b>14,884,700</b>

<b>LAW, HR, ASSET MANAGEMENT</b>	<b>Base Estimate 2011/12</b>	<b>Current Estimate 2011/12</b>	<b>Base Estimate 2012/13</b>
<b>OBJECTIVE SUMMARY</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Asset Management</u></b>			
Corporate Assets	(154,400)	(691,400)	(1,451,800)
Industrial & Commercial Properties	(311,100)	(311,100)	(311,200)
Estates Management	426,000	708,300	692,300
Managed Properties	(275,400)	(270,400)	(194,700)
Property Maintenance	1,610,000	1,610,000	1,510,000
Disabled Access	100,000	100,000	100,000
Administrative Buildings	1,308,900	1,290,200	1,310,500
Community Buildings	57,000	-	-
Halls	666,300	657,200	720,500
Community Services	980,800	1,114,800	1,056,700
Libraries	-	-	-
Sport & Culture	-	-	-
Allotments	137,400	137,300	86,600
Design Consultancy	(86,500)	(606,300)	(306,100)
<b><u>Central Services</u></b>			
Central Support Administration	-	(200)	-
Wallasey Complex Management	85,500	-	-
<b><u>Human Resources</u></b>			
Human Resources	191,000	74,600	180,000
<b><u>Legal &amp; Democratic</u></b>			
Coroners	485,900	485,900	491,600
Electoral & Member Services	496,900	496,800	504,900
Legal Services	-	61,100	-
Registrar	70,500	68,800	61,100
<b><u>Regulatory Services</u></b>			
Community Safety	2,248,900	2,275,700	2,268,400
Environmental Health	2,026,100	2,191,300	2,081,900
Licensing	(3,600)	23,400	44,600
Neighbourhood Nuisance	17,400	-	-
North Western and North Wales Sea Fisheries Committee	45,000	45,000	45,000
Port Health Authorities	128,500	128,500	128,500
Trading Standards and Consumer Advice	780,900	859,700	854,800
<b><u>Service Re-Engineering</u></b>			
Service Re-Engineering	(69,000)	-	-
<b><u>Corporate and Democratic Core</u></b>			
Democratic Representation and Management	2,120,000	2,129,400	2,143,300
Corporate Management	3,141,500	3,260,600	2,867,800

**Regulatory Services Management**

Regulatory Services Management - - -

**LAW, HR, ASSET MANAGEMENT TOTAL 16,224,500 15,839,200 14,884,700**

## REGENERATION, HOUSING & PLANNING

	Current Estimate 2011/12 £000	£000	Base Estimate 2012/13 £000	£000
<b>BUDGET CHANGES</b>				
<b>BASE ESTIMATE 2011/12</b>		<b>25,407.4</b>		<b>25,407.4</b>
<u>Adjustments To Base</u>				
Pay increase for 2011/12	-	-	(21.4)	<b>(21.4)</b>
<u>Transfers Between Departments</u>				
Finance – Staffing	(20.0)		(57.0)	
Finance – Handy Person Funding	126.0		126.0	
Finance – Procurement Savings 2011/12	(112.4)		(112.4)	
Technical Services – Winter Resilience Fund	(55.0)		(55.0)	
Technical Services – Service Cost Transfer	(842.1)		(842.1)	
Children - Corporate Marketing	10.0		10.0	
Law, HR, Asset Mgt – Right to Buy charge	(12.7)		(12.7)	
Efficiency Investment Budget Reallocation	294.0		294.0	
		<b>(612.2)</b>		<b>(649.2)</b>
<u>Inflation</u>				
Pay and Pensions	-		38.3	
Income	-		(2.7)	
		-		<b>35.6</b>
<u>Increased Expenditure</u>				
Neighbourhood Management	350.0		-	
New Homes Bonus	260.0		260.0	
Support Services	49.8		437.6	
		<b>659.8</b>		<b>697.6</b>
<u>Reduced Expenditure</u>				
2011/12 One Year Policy Options:				
Business Support	-		(500.0)	
Empty Shops	-		(192.5)	
Area Forum	-		(55.0)	
Child Poverty Action Plan	-		(10.0)	
Insurance	-		(113.2)	
		-		<b>(870.7)</b>
<u>Reduced Income</u>				
HMRI Administration	-		256.9	
		-		<b>256.9</b>
<u>Savings</u>				
Broadband Facility	-		(1,075.0)	
Home Insulation Programme	-		(1,000.0)	
Supporting People Contract	-		(150.0)	
Merseyside Information Services	-		(50.0)	
		-		<b>(2,275.0)</b>
<b>ESTIMATE 2011/12 and 2012/13</b>		<b>25,455.0</b>		<b>22,581.2</b>

<b>REGENERATION, HOUSING &amp; PLANNING</b>	<b>Base Estimate</b>	<b>Current Estimate</b>	<b>Base Estimate</b>
<b>SUBJECTIVE SUMMARY</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<u>Expenditure</u>			
Employees	8,218,400	8,873,700	8,555,400
Premises	329,100	336,100	314,500
Transport	108,300	143,400	143,400
Supplies and Services	5,978,700	7,078,100	5,502,200
Third Party Payments	8,263,800	9,919,300	8,144,300
Transfer Payments	3,984,300	-	-
Support Services	6,562,100	5,731,700	7,088,300
Financing Costs	14,837,100	15,097,100	15,097,100
	<b>48,281,800</b>	<b>47,179,400</b>	<b>44,845,200</b>
<u>LESS Income</u>			
Government Grants	(15,521,400)	(14,766,800)	(14,706,800)
Other Grants and Reimbursements	(607,700)	(1,134,900)	(1,134,900)
Customer and Client Receipts	(2,217,000)	(2,217,000)	(2,219,700)
Interest	(4,500)	(4,500)	(4,500)
Recharge to Other Revenue Accounts	(4,523,800)	(3,601,200)	(4,198,100)
	<b>(22,874,400)</b>	<b>(21,724,400)</b>	<b>(22,264,000)</b>
<b>REGENERATION, HOUSING &amp; PLANNING TOTAL</b>	<b>25,407,400</b>	<b>25,455,000</b>	<b>22,581,200</b>

<b>REGENERATION, HOUSING &amp; PLANNING</b>	<b>Base Estimate</b>	<b>Current Estimate</b>	<b>Base Estimate</b>
<b>OBJECTIVE SUMMARY</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Central Services</u></b>			
Central Support Administration	-	(12,100)	(112,400)
<b><u>Corporate Policy</u></b>			
Grants to Voluntary Bodies	540,300	540,300	540,300
Performance Management & Consultation	1,582,700	1,526,800	1,220,800
Merseyside Information Service	101,600	101,600	51,600
<b><u>Service Re-engineering</u></b>			
Service Re-Engineering	(31,300)	-	-
<b><u>Strategic Development</u></b>			
Economic & Strategic Development	2,539,300	3,811,400	3,468,400
West Wirral Schemes	200,000	200,000	200,000
Building Control	591,000	(256,900)	315,900
<b><u>Tourism And Marketing</u></b>			
Graphics PR Tourism	1,295,000	1,294,800	1,316,400
Tourism Events	116,400	116,400	116,400
Corporate Marketing Strategy	18,500	28,500	26,000
<b><u>Housing &amp; Regeneration Services</u></b>			
Housing Strategy	608,000	2,887,800	1,918,800
Private Sector Housing	2,573,000	534,500	569,700
Regeneration Implementation	630,000	961,800	867,800
Rehousing Services	738,100	879,900	775,700
Supporting People	10,679,200	10,869,600	10,805,800
Tranmere Together	-	350,000	-
Implementation Programme	3,225,600	1,620,600	500,000
<b>REGENERATION, HOUSING &amp; PLANNING TOTAL</b>	<b>25,407,400</b>	<b>25,455,000</b>	<b>22,581,200</b>

<b>TECHNICAL SERVICES</b>	<b>Current Estimate</b>		<b>Base Estimate</b>	
	<b>2011/12</b>		<b>2012/13</b>	
<b>BUDGET CHANGES</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>BASE ESTIMATE 2011/12</b>		<b>59,972.5</b>		<b>59,972.5</b>
<u>Adjustments To Base</u>				
Pay increase for 2011/12	-		(173.7)	(173.7)
		-		
<u>Transfers Between Departments</u>				
Finance – Change Team	-		(263.8)	
Adults – Veterans Support Policy Option	20.0		20.0	
Finance – Procurement Savings 2011/12	(150.9)		(199.7)	
Children and Young People- Transport Unit	96.8		96.8	
Law, HR, Asset Mgt – Energy Conservation	(188.0)		(188.0)	
Law, HR, Asset Mgt – Plant Maintenance	(247.4)		(247.4)	
Law, HR, Asset Mgt – Service Cost Transfer	1,042.6		1,042.6	
Regeneration – Winter Resilience Funding	55.0		55.0	
Regeneration - Service Cost Transfer	842.1		842.1	
Efficiency Investment Budget Reallocation	403.0		403.0	
		<b>1,873.2</b>		<b>1,560.6</b>
<u>Inflation</u>				
Pay and Pensions	-		178.5	
Income	-		(367.9)	
		-		(189.4)
<u>Increased Expenditure</u>				
Local Pay Review	208.4		208.4	
Insurance	-		156.2	
Flood Prevention	123.0		168.0	
Change Savings unachieved	300.0		300.0	
Energy Contracts – Street Lighting	342.0		492.0	
Support Services	31.9		-	
		<b>1,005.3</b>		<b>1,324.6</b>
<u>Reduced Expenditure</u>				
Waste Authority Levy	-		(1,302)	
2011/12 One Year Policy Options				
Street Cleansing			(500.0)	
Car Parking	-		(482.0)	
Veterans Support	-		(20.0)	
Support Services	-		(361.0)	
				<b>(2,665.0)</b>
<u>Savings</u>				
Highways Maintenance Back Office Function	-		(80.0)	
Procurement	-		(745.0)	
		-		<b>(825.0)</b>
<b>ESTIMATE 2011/12 and 2012/13</b>		<b>62,851.0</b>		<b>59,004.6</b>

<b>TECHNICAL SERVICES</b>	<b>Base Estimate</b>	<b>Current Estimate</b>	<b>Base Estimate</b>
<b>SUBJECTIVE SUMMARY</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<u>Expenditure</u>			
Employees	20,774,700	20,943,400	21,555,600
Premises	12,199,100	12,104,400	11,186,200
Transport	2,145,000	798,000	939,200
Supplies and Services	5,144,800	4,912,000	4,318,300
Third Party Payments	31,363,200	31,393,100	29,548,000
Transfer Payments	23,100	23,100	23,100
Support Services	15,849,700	16,030,900	15,204,300
Financing Costs	4,356,000	3,992,600	3,992,600
	<b>91,855,600</b>	<b>90,197,500</b>	<b>86,767,300</b>
<u>LESS Income</u>			
Other Grants and Reimbursements	(20,000)	-	-
Customer and Client Receipts	(16,583,000)	(16,129,300)	(16,979,200)
Recharge to Other Revenue Accounts	(15,280,100)	(11,217,200)	(10,783,500)
	<b>(31,883,100)</b>	<b>(27,346,500)</b>	<b>(27,762,700)</b>
<b>TECHNICAL SERVICES TOTAL</b>	<b>59,972,500</b>	<b>62,851,000</b>	<b>59,004,600</b>

<b>TECHNICAL SERVICES</b>	<b>Base Estimate</b>	<b>Current Estimate</b>	<b>Base Estimate</b>
<b>SUBJECTIVE SUMMARY</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Culture &amp; Heritage</u></b>			
Art Galleries and Museums	714,600	723,700	722,000
Theatre, Arts and Culture	957,200	959,900	878,800
Tramway	169,100	172,300	169,900
<b><u>Parks &amp; Open Spaces</u></b>			
Beach Lifeguards	348,900	-	-
Birkenhead Park	580,600	601,700	601,100
Cemeteries and Crematorium	(341,800)	(385,100)	(466,700)
Golf	(152,500)	(194,300)	(197,700)
Parks and Open Spaces	3,745,100	5,229,700	5,179,800
Ranger Service	710,100	799,600	788,300
<b><u>Sport &amp; Recreation</u></b>			
Sports Centres	8,504,100	8,976,400	8,851,500
Sports Development	260,000	259,400	253,900
<b><u>Support Services</u></b>			
Support Services	900,000	590,700	247,900
Procurement Savings	-	-	(745,000)
<b><u>Transport</u></b>			
Transport	(96,800)	-	-
<b><u>Engineers</u></b>			
Emergency Planning	370,200	507,300	464,200
Change Management and Administration	490,700	-	-
Levies & Financing	2,893,500	2,893,500	2,893,500
Traffic	2,326,700	2,655,800	2,541,700
Car Parks	(1,200,900)	(1,156,700)	(1,745,300)
Drainage & Sea Defences	784,100	974,000	1,000,500
Street Lighting	2,343,400	2,720,600	2,860,900
Highway Maintenance	5,885,800	6,471,200	6,524,600
Service Re-Engineering	(350,000)	(150,900)	(199,700)
<b><u>Waste</u></b>			
Waste Monitor	14,141,900	14,213,700	13,693,900
<b><u>Merseyside Recycling and Waste Authority</u></b>			
Merseyside Recycling and Waste Authority	15,988,500	15,988,500	14,686,500
<b>TECHNICAL SERVICES TOTAL</b>	<b>59,972,500</b>	<b>62,851,000</b>	<b>59,004,600</b>

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# **APPENDIX B**

## **WIRRAL COUNCIL**

### **CAPITAL PROGRAMME**

**2012/15**

## **WIRRAL COUNCIL**

### **CAPITAL PROGRAMME 2012/15**

#### **SUMMARY**

The Capital Programme for 2012/15 detailed on the following pages incorporates the resolution of Cabinet on 8 December 2011 that was approved by Council on the 12 December 2011, including the revisions made by Council and Cabinet on 12 January 2012 and 2 February 2012.

The opportunity has been taken to update estimated grant allocations to reflect more accurate approved allocations and also to re-profile schemes where improved information is now available.

#### **CABINET 8 DECEMBER 2011**

##### **Minute 215 - CAPITAL PROGRAMME AND FINANCING 2012/15**

The Deputy Chief Executive / Director of Finance presented a draft Capital Programme for 2012/15, which also included the related capital financing requirements based upon the prudential indicators that inform the Treasury Management Strategy. The purpose of the Capital Programme was to enable the council to prioritise and effectively deliver capital investment that contributed to the achievement of Council objectives and links to the revenue budget ensured that revenue funding was provided to meet the financing costs, and any running costs, as a result of the capital programme investment.

The Director reported that the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code required local authorities to determine Prudential Indicators on an annual basis and they were required to be calculated in accordance with the Code. He indicated that the monitoring arrangements set out in the 'Delivering The Corporate Plan' report approved by the Cabinet (minute 379 on 14 April 2011 refers) ensured that a structure was in place to manage and deliver the Corporate Plan.

Resolved -

- (1) That the new submissions as detailed in section 9.7, and the variations in section 9.10, now submitted be approved and the Capital Programme be referred to Council for approval.
- (2) That, if the changes are approved, the capital financing requirements be reflected in the projected budget.
- (3) That the Prudential Indicators be noted and reported to Cabinet as part of the Treasury Management Strategy on 20 February 2012.
- (4) That reports on the progress of the programme be presented in accordance with the agreed monitoring arrangements of the Corporate Plan.

## **COUNCIL 12 DECEMBER 2011**

### **Minute 93 – CAPITAL PROGRAMME AND FINANCING 2012/15**

Council approved that the Capital Programme be amended to include:-

- Preventative maintenance to classified roads - £500,000.
- Preventative maintenance to unclassified and residential streets - £500,000.
- Road safety improvements and local transport schemes - £650,000.

## **CABINET 12 JANUARY 2012**

### **Minute 252 – HIGHWAYS MAINTENANCE FUNDING AND STRUCTURAL MAINTENANCE PROGRAMME 2012/13**

A report by the Director of Technical Services reminded the Cabinet that on 13 January 2011, it had endorsed the maintenance allocation within the Local Transport Plan Capital Programme for 2012/13 (Minute No. 285 refers). The Programme had included the funding for the Highway Maintenance Block, totalling £2.958 million. On 12 December 2011, the Council had approved the Capital Programme 2012/15 which included a further £2.65 million for 2012/13 (£1 million for capitalised highways maintenance, £1 million for roads and £0.65 million for road safety) funded from Council resources (Minute No. 70 (v) refers.). The report presented both the proposed breakdown of that highway maintenance funding between the Bridges, Lighting and Roads/Footway elements of the network and the proposed Highway Structural Maintenance Programme 2012/13, for approval. It was noted that the maintenance of highways was a statutory duty for the Council under the Highways Act 1980 (as amended).

Resolved -

- (1) The proposed allocation of Local Transport Plan Capital Programme 2012/13 Maintenance Block between Street Lighting, Bridges and Roads/Footways;
- (2) The Detailed Highway Structural Maintenance Programme for 2012/13 (as detailed in paragraph 4.3 of the report); and
- (3) The Director of Technical Services; in conjunction with the Cabinet Member for Streetscene and Transport Services and Party Spokespersons; be able to make necessary adjustments to the priorities within the programme should the need arise due to financial, condition or other factors.

## **CABINET 2 FEBRUARY 2012**

### **Minute – HOUSING MARKET RENEWAL TRANSITIONAL FUNDING**

A report by the Acting Director of Regeneration, Housing and Planning provided an update for Members on the outcome of the Housing Market Renewal Initiative Transitional Funding bid and outlined amendments to the Council's Housing Investment Programme for 2011/12 to incorporate the Housing Market Renewal Transitional Funding. The report also advised Members on proposals to prepare the exit plan for Wirral's Housing Market Renewal Programme.

The Cabinet noted that it had been announced in November 2011 that the HMRI Transitional bid had been successful and that Wirral would receive £2.7m additional capital funding. Although slightly less than anticipated, this funding, when combined with match funding, would enable the completion of most of the existing clearance commitments throughout the former HMRI area. It may be possible to make up the shortfall with New Homes Bonus to complete the programme. This would be subject to a separate report to the Cabinet in due course.

The table at Appendix 1 to the report provided the detail of Wirral's revised HMR Transitional Funding bid and showed how the resources would be used. It should be noted that since the bid had been submitted in July, work had been continuing on committed acquisitions, using some of the match funding resources. As such, a proportion of the units identified in Appendix 1 had already been acquired. It should also be noted that there was no compulsion to utilise all of the Transitional Funding in the current financial year. This would allow both negotiations with property owners to continue and support any future CPO action, should this be necessary to acquire the remaining interests.

Resolved:

- (1) The contents of this report be noted; and
- (2) The proposed changes to the Housing Investment Programme for 2011/12 be reported to Council.

**WIRRAL COUNCIL**

**CAPITAL PROGRAMME 2012/15**

**POSITION AS AT 2 FEBRUARY 2012**

<b>SUMMARY</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>				
Adult Social Services	865	2,750	0	0
Children & Young People	32,579	21,481	2,400	2,400
Finance	6,506	0	2,000	0
Law, HR and Asset Mgt	8,679	5,200	6,025	700
Regen, Housing and Planning	13,987	5,479	13,374	4,415
Technical Services	11,772	7,068	5,074	4,909
<b>Total Expenditure</b>	<b>74,388</b>	<b>41,978</b>	<b>28,873</b>	<b>12,424</b>
<b>Resources</b>				
General Capital Resources	35,042	12,035	19,710	6,405
<b>General Resources*</b>	<b>35,042</b>	<b>12,035</b>	<b>19,710</b>	<b>6,405</b>
Grants - Education	22,862	20,181	0	0
Grants - Integrated Transport	1,348	1,155	1,155	1,155
Grants - Local Transport Plan	3,095	2,958	2,864	2,699
Grants - Other	9,647	5,349	4,844	2,165
Revenue, reserves, contributions	2,394	300	300	0
<b>Specific Resources</b>	<b>39,346</b>	<b>29,943</b>	<b>9,163</b>	<b>6,019</b>
<b>Total Identified Resources</b>	<b>74,388</b>	<b>41,978</b>	<b>28,873</b>	<b>12,424</b>
<b>*General Resources</b>				
From Borrowing	32,042	9,035	16,710	3,405
From Capital Receipts	3,000	3,000	3,000	3,000
<b>General Resources</b>	<b>35,042</b>	<b>12,035</b>	<b>19,710</b>	<b>6,405</b>

<b>ADULT SOCIAL SERVICES</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>				
Development of Ward 41 Star Team	80	0	0	0
Information Management	53	0	0	0
Extra Care Housing	732	0	0	0
Transformation of Day Service	0	1,250	0	0
Integrated IT	0	1,500	0	0
<b>Total Expenditure</b>	<b>865</b>	<b>2,750</b>	<b>0</b>	<b>0</b>
<b>Resources</b>				
Grants - Other	865	2,750	0	0
<b>Total Identified Resources</b>	<b>865</b>	<b>2,750</b>	<b>0</b>	<b>0</b>
<b>CHILDREN &amp; YOUNG PEOPLE</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>		0	0	0
Children's Centres	413	0	0	0
City Learning Centres	254	0	0	0
Early Years Quality & Access	86	0	0	0
Aiming Higher for Disabled Children	375	0	0	0
Condition/ Modernisation	8,472	5,165	0	0
Family Support Scheme	194	100	0	0
Rosclare Children's Hospital	448	0	0	0
Formula Capital Grant	4,832	718	0	0
Extended Schools	48	0	0	0
Schools – Access Initiative	549	0	0	0
Schools – Harness Technology	665	0	0	0
Woodchurch One School Pathfinder	1,109	0	0	0
Birkenhead High Girls Academy	5,643	5,108	0	0
Private Finance Initiative	425	0	0	0
Primary Reorganisation – Surplus	88	0	0	0
Primary Schools Programme		0	0	0
- Park Primary School	490	0	0	0
- Pensby Primary School	3,525	8,850	0	0
- Other	48	0	0	0
School Meals Uptake	348	0	0	0
Practical Cooking Spaces	93	0	0	0
Co-location Fund	551	0	0	0
Youth Capital Fund	76	0	0	0
SEN and Disabilities	100	1,340	0	0
Cathcart Street Refurbishment	1,826	0	0	0
University Academy of Birkenhead	921	0	0	0
Capitalisation of redundancy costs	1,000	0	0	0
Wirral Youth Zone	0	200	2,400	2,400
<b>Total Expenditure</b>	<b>32,579</b>	<b>21,481</b>	<b>2,400</b>	<b>2,400</b>

<b>CHILDREN &amp; YOUNG PEOPLE</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Resources</b>				
General Capital Resources	8,627	1,300	2,400	2,400
Grants – Education	22,862	20,181	0	0
Revenue, reserves, contributions	1,090	0	0	0
<b>Total Identified Resources</b>	<b>32,579</b>	<b>21,481</b>	<b>2,400</b>	<b>2,400</b>
<b>FINANCE</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>				
Strategic Asset Review	3,506	0	2,000	0
Capitalisation of redundancy costs	3,000	0	0	0
<b>Total Expenditure</b>	<b>6,506</b>	<b>0</b>	<b>2,000</b>	<b>0</b>
<b>Resources</b>				
General Capital Resources	6,506	0	2,000	0
<b>Total Identified Resources</b>	<b>6,506</b>	<b>0</b>	<b>2,000</b>	<b>0</b>
<b>LAW HR &amp; ASSET MANAGEMENT</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>				
Microregeneration	100	0	0	0
Landican Mercury Abatement	1,203	0	0	0
Europa Pool – Improved heating	199	0	0	0
Cultural Services Assets	2,000	1,500	4,000	0
Parks	500	0	0	0
Williamson Art Gallery	1,114	0	0	0
The Priory	738	0	0	0
CCTV / IT Project	530	0	0	0
Bebington Civic Centre	1,300	0	0	0
Rock Ferry Centre	630	0	0	0
Wallasey Town Hall	0	300	1,325	0
North and South Annexes	165	1,200	300	700
Solar Photovoltaic Project	200	2,200	400	0
<b>Total Expenditure</b>	<b>8,679</b>	<b>5,200</b>	<b>6,025</b>	<b>700</b>
<b>Resources</b>				
General Capital Resources	8,619	5,200	6,025	700
Grants - Other	60	0	0	0
<b>Total Identified Resources</b>	<b>8,679</b>	<b>5,200</b>	<b>6,025</b>	<b>700</b>

**REGENERATION, HOUSING & PLANNING**

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>				
Think Big Investment Fund	609	300	300	300
West Wirral Schemes	206	0	0	0
Destination West Kirby	0	0	1,250	0
Wirral Country Park	0	0	1,600	1,300
Mersey Heartlands New Growth Pt	954	0	0	0
Improvements to Stock	5,177	800	950	950
Housing Market Renewal Residual Clearance Programme	0	970	865	865
New Homes Bonus	260	0	0	0
Disabled Facilities – Adaptations	3,896	2,929	2,929	1,000
Quarry Bank Affordable Housing	345	0	0	0
Wirral Healthy Homes	105	105	105	0
Cosy Homes Heating	250	250	250	0
Empty Property Interventions	125	125	125	0
Power Solutions to SI Areas	0	0	5,000	0
Challenge Fund	2,060	0	0	0
<b>Total Expenditure</b>	<b>13,987</b>	<b>5,479</b>	<b>13,374</b>	<b>4,415</b>
<b>Resources</b>				
General Capital Resources	5,585	2,580	8,230	2,250
Grants – Other	7,098	2,599	4,844	2,165
Revenue, reserves, contributions	1,304	300	300	0
<b>Total Identified Resources</b>	<b>13,987</b>	<b>5,479</b>	<b>13,374</b>	<b>4,415</b>

<b>TECHNICAL SERVICES</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>				
Congestion	402	0	0	0
Road Safety	920	650	0	0
Maintenance	6,304	2,958	2,864	2,699
Air Quality	681	0	0	0
Accessibility	65	0	0	0
Transportation	270	0	0	0
Integrated Transport Block	0	1,155	1,155	1,155
Capitalised Highways Maintenance	1,000	1,000	1,000	1,000
Highways Structural	1,000	0	0	0
Preventative Maintenance to Classified Roads	0	500	0	0
Preventative Maintenance to Unclassified Roads	0	500	0	0
Energy Schemes	153	0	0	0
Asset Management	85	0	0	0
Waste Initiatives	206	0	0	0
Coast Protection	312	55	55	55
Hoylake Golf Course	76	0	0	0
Landican Cemetery	84	0	0	0
Oval Sport Centre - Artificial Pitches	10	0	0	0
Guinea Gap	107	0	0	0
Birkenhead Park	97	0	0	0
Floral Pavilion Stage / Orchestra Pit.	0	250	0	0
<b>Total Expenditure</b>	<b>11,772</b>	<b>7,068</b>	<b>5,074</b>	<b>4,909</b>
<b>Resources</b>				
General Capital Resources	5,705	2,955	1,055	1,055
Grants – Integrated Transport	1,348	1,155	1,155	1,155
Grants – Local Transport Plan	3,095	2,958	2,864	2,699
Grants - Other	1,624	0	0	0
<b>Total Identified Resources</b>	<b>11,772</b>	<b>7,068</b>	<b>5,074</b>	<b>4,909</b>

## WIRRAL COUNCIL

### CABINET

8 DECEMBER 2011

<b>SUBJECT</b>	<b>CAPITAL PROGRAMME AND FINANCING 2012-15</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR STEVE FOULKES</b>
<b>KEY DECISION</b>	<b>YES</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report provides Cabinet with a draft Capital Programme for 2012/15 for consideration and referral to Council for approval. It also includes the related capital financing requirements based upon the prudential indicators that inform the Treasury Management Strategy.

#### 2.0 RECOMMENDATIONS

- 2.1 That the new submissions as detailed in section 9.7, and the variations in section 9.10, be approved and the Capital Programme be referred to Council for approval.
- 2.2 That, if the changes are approved, the capital financing requirements be reflected in the projected budget.
- 2.3 That the Prudential Indicators be noted and reported to Cabinet as part of the Treasury Management Strategy on 20 February 2012.
- 2.4 That reports on the progress of the programme be presented in accordance with the agreed monitoring arrangements of the Corporate Plan.

#### 3.0 REASONS FOR RECOMMENDATIONS

- 3.1 The purpose of the Capital Programme is to enable the Council to prioritise and effectively deliver capital investment that contributes to the achievement of Council objectives.
- 3.2 Links to the revenue budget ensure that revenue funding is provided to meet the financing costs, and any running costs, as a result of the capital programme investment.
- 3.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to determine Prudential Indicators on an annual basis. Prudential Indicators must be calculated in accordance with the Prudential Code.

- 3.4 The monitoring arrangements set out in the 'Delivering the Corporate Plan' report approved by Cabinet on 14 April 2011 ensure that a structure is in place to manage performance and deliver the Corporate Plan.

## **4.0 BACKGROUND AND KEY ISSUES**

### **CAPITAL STRATEGY**

- 4.1 Achieving Council objectives requires capital investment. The Capital Strategy sets a 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 draws together the capital requirements emerging from the Investment Strategy and service strategies to prioritise the capital needs of services and to maximise opportunities for joined-up investment with local partners. Bids for inclusion in the capital programme are prioritised against criteria taking account of the priorities identified in the Corporate Plan.
- 4.3 The Capital Strategy was reviewed to reflect the Corporate Plan and was agreed by Cabinet on 13 October 2011. It considers issues at a strategic level and is used to determine the Capital Programme.
- 4.4 To increase understanding of the Capital Strategy and Programme the procedures and key guidance have been consolidated into one document; the Capital Investment Programme guidance document. This covers:-
- a) Identification and prioritisation of schemes for inclusion in the programme.
  - b) Approval process and implementation of the approved projects.
  - c) Monitoring and reporting of the approved programme.
  - d) Key documents are incorporated as appendices including the Contract Procedure Rules.

### **CAPITAL PROGRAMME**

- 4.5 The Capital Programme is a list of investment schemes to be undertaken over the medium term which help the Council achieve its objectives. It is aligned to Council plans and strategies, including the Medium Term Financial Strategy and the Corporate Plan. It is reviewed, updated and considered by Council each December and informs the annual budget setting process.
- 4.6 Capital expenditure is defined under the Financial Reporting Standard (FRS) 15 as expenditure incurred on the creation, purchase or enhancement of a tangible asset required over the long term to carry out the activities of an organisation. Expenditure which purely maintains the useful life or open market value of an asset should be charged to revenue. The Local Government Act 2003 amended the definition to allow expenditure on computer software and on the making of loans or grants for capital expenditure by another body to be treated as the capital expenditure of a local authority.

- 4.7 Local Authorities can also apply to the Secretary of State for a determination to re-classify revenue spend as capital spend based upon a Capitalisation Direction. Wirral received determinations in 2010/11, of £3.4 million, and 2011/12, of £4 million, to treat as capital spend the statutory redundancy payment element of the Early Voluntary Retirement / Voluntary Severance Scheme costs.
- 4.8 In preparing the programme for 2012/15 the process has followed that set out in the Capital Strategy agreed by the Cabinet on 13 October 2011. All submissions for inclusion in the Capital Programme required the completion of a Business Case. This details how the proposed project meets Council objectives, how it will be managed, including resource implications and the outcomes expected. Schemes are then assessed against the prioritisation criteria to inform the recommendations for inclusion in the programme. The criteria were approved by Cabinet on 13 October 2011 and are included at Appendix A whilst Appendix B details the currently approved capital programme and Appendix C outlines the submissions received and those recommended for inclusion in the programme.

#### **CAPITAL FINANCING**

- 4.9 Over recent years the capital funding available to Local Authorities has reduced significantly. The Government no longer offers new supported borrowing allocations and major grant funding streams have been significantly reduced, including the Housing Market Renewal and Transport programmes. Other, previously specific, grant funding streams are no longer ring-fenced in a move which has seen Authorities obtain greater autonomy over the funding of capital projects but at a much reduced level.
- 4.10 Local Authorities continue to have the ability to augment capital funding under the Prudential Code whereby additional expenditure on capital investment can be incurred as long as the plans are affordable, prudent and sustainable. This is measured by a series of indicators integral to the Treasury Management Policy of which the key is the revenue cost.

#### *Borrowing*

- 4.11 The Prudential Capital Finance system allows local authorities to self-finance borrowing for capital expenditure without Government consent. This facilitates the use of borrowing for capital projects, provided it is affordable. Local Authorities must manage their debt responsibly and decisions about debt repayment should be made through the consideration of prudent treasury management practice.
- 4.12 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). The Council needs to be satisfied that it can afford this annual revenue cost.

- 4.13 The Government has given Local Authorities greater freedom in the way they provide for their debts. Local Authorities have to earmark revenues each year as provision for repaying debts incurred on capital projects. When the MRP regime changed on 31 March 2008 it became a duty on each local authority to make provision for debt which the local authority considers prudent.
- 4.14 The Council has determined that the most prudent method of earmarking revenues to repay unsupported borrowing is by matching the debt repaid each year to the life of the asset which the borrowing helped to finance. As an example, if the Council borrowed £5 million to build a new asset with a life of 20 years then revenue costs would be £0.25 million each year for 20 years plus the interest cost of the borrowing.

#### *Government Grants*

- 4.15 These are specific to schemes and are therefore allocated in accordance with the terms of the grant approval, primarily in the areas of education and regeneration. As outlined above the numbers and amounts of such capital grants received has reduced significantly.
- 4.16 The Government reviewed grant arrangements as part of the Spending Review 2010. Since then there has been significantly less ring-fencing of capital grants which has increased freedoms and flexibilities over use but overall the level of grants available has reduced.

#### *Revenue / Other Contributions*

- 4.17 The Prudential Code allows for the use of additional revenue resources within agreed parameters. However, the requirements of Financial Reporting Standard 15 have lead to schemes and funding previously included within the capital programme having to be transferred to revenue.
- 4.18 Contributions are received from other organisations to support the delivery of schemes with the main area being within the education programme with contributions made by individual schools.

#### *Capital Receipts*

- 4.19 Capital receipts are estimated and are based upon the likely sales of assets as identified under the Asset Management Plan. These include development sites, former school sites and the agreement with Wirral Partnership Homes for the sharing of receipts from sales of former Council houses.
- 4.20 The use of receipts has been estimated at £3 million per year. This reflects the likely timing of such receipts and the latest projections of sites either available or which could become available over the period.

## **MONITORING**

- 4.21 Cabinet on 14 April 2011 agreed the arrangements for the monitoring of the Corporate Plan in order to provide decision makers with intelligence on how well the Council is performing, together with associated resource implications and future risks and challenges.
- 4.22 At the end of each quarter the report and presentation to Cabinet include an update on the Capital Programme for which a more detailed report, plus the departmental reports of Chief Officers, is placed in the Library. The departmental reports provide greater detail on the progress of specific schemes with references to the approved programme, agreed variations, the latest forecasts concerning spend and the resourcing of schemes.

## **5.0 RELEVANT RISKS**

- 5.1 All relevant risks have been discussed within Section 4 of this report.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 Each Business Case includes an assessment of the alternative options with the conclusion that a submission for inclusion in the capital programme is the preferred option.

## **7.0 CONSULTATION**

- 7.1 There has been no specific consultation with regards to this report. In terms of the delivery of schemes consultation will take place as part of the scheme development and implementation.

## **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 8.1 There are none arising directly out of this report.

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

### **CAPITAL PROGRAMME COMMITMENTS**

- 9.1. The Programme detailed in Appendix B is that currently approved which incorporates all the committed schemes and indicates the resources required to fund existing, and planned, schemes.
- 9.2 The Capital Programme 2011/14 and Capital Financing Requirements 2011/12 were agreed by Cabinet on 9 December 2010 and approved by Council on 13 December 2010. This was updated in a report to Cabinet on 21 February 2011 that was approved by Council on 1 March 2011.

- 9.3 On 17 March 2011 the Local Transport Capital Funding and the Integrated Transport Block (ITB) Programme 2011/12 were approved by Cabinet and a small increase in the grant allocation confirmed. The same meeting also approved the Education Capital Programme for 2011/12.
- 9.4 On 23 June 2011 the Capital Out-turn and Determinations report was submitted as part of the year-end accounts for the 2010/11 financial year and detailed the slippage into the 2011/12 financial year.
- 9.5 On 13 October 2011 the Housing Market Renewal Initiative (HMRI) was updated and approved by Cabinet. Also approved was a variation to the programme of £4 million to use a direction issued by the Government for the Capitalisation of the Statutory Redundancy costs element of the Early Voluntary Retirement / Voluntary Severance scheme.
- 9.6 In summary the changes to the Capital Programme since it was originally approved have increased the 2011/12 approved programme from £49 million to £78 million. The main cause has been slippage from 2010/11, which included the re-profiling of Education schemes with the consequential slippage of spend and grant funding. This will inevitably lead to further slippage in schemes and funding into 2012/13 which will be included within the Capital Out-turn 2011/12 report to Cabinet in June 2012.

#### **CAPITAL PROGRAMME SUBMISSIONS**

- 9.7 Appendix C details the schemes submitted for inclusion in the capital programme. Following the evaluation of the business case submissions in accordance with the prioritisation criteria the recommended schemes are:-

<b>NEW SUBMISSIONS FOR APPROVAL</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	£000	£000	£000
Transformation of Day Services - funded from capital grant	1,250	-	-
Integrated IT within Adult Services - funded from capital grant	1,500	-	-
Wirral Youth Zone - scheme development will depend on securing external funding of £2 million	200	2,400	2,400
Housing Market Renewal residual clearance programme - funded from capital grant	970	970	970
Housing Renewal Programme support initiatives	Approved Dec 2010	850	850
Disabled adaptations	Approved Dec 2010	500	500
Floral Pavilion Theatre - Invest-To-Save scheme	250	-	-

- 9.8 The first two submissions relate to Adult Social Services are grant funded, and linked to the changing requirements of adult social care. The Wirral Youth Zone is for a state of the art facility to provide young people with a modern, safe purposeful alternative. The Housing Market Renewal schemes are funding the completion of the unfinished HMRI schemes following the loss of Housing Market Renewal Grant funding. This clearance programme will be met from Transitional Capital Grant funding. The support initiatives and disabled adaptations were approved in December 2010 and included for completeness. The Floral Pavilion scheme will result in additional income to offset the capital financing costs.
- 9.9 Cabinet is advised that the future delivery of the Parks Service could require capital investment and the Director of Technical Services is in the process of developing and implementing a service delivery plan which will require additional investment in the service. At this time the options include the potential hire / lease of equipment which would not feature in the Capital Programme. Once the requirements have been fully assessed this may result in a submission of a scheme for inclusion in the capital programme for 2012/14.

#### POTENTIAL VARIATIONS

- 9.10 The opportunity has been taken to update the planned programme in respect of IT and the investment in buildings to reflect the planned activity. The West Kirby and Wirral Country Park initiatives have been previously approved subject to the receipt of grant funding. Whilst grant funding continues to be pursued this has not yet been forthcoming and so the schemes have been deferred.

POTENTIAL VARIATIONS	2011/12 £000	2012/13 £000	2013/14 £000
Destination West Kirby - defer £1.25 million scheme as reliant on £0.75 million grant	0	0	1,250
Wirral Country Park - defer £2.9 million scheme as reliant on £1.5m grant. £1.3 million to 2014/15	0	0	1,600
Power Solutions Strategic Investment - defer pending further discussions	0	0	5,000
Information Technology - 2011/12 programme will carry into 2012/13 so future allocations slip	3,500	0	2,000
Wallasey Town Hall - funding provided for in 2011/12 and planned funding for 2012/13 slips	0	300	1,325
North and South Annexes - funding provided in 2011/12	165	1,200	300
Cultural Services Assets - funding provided in 2012/13 slips	2,500	1,500	4,000

9.11 The impact of the changes is to reduce the borrowing requirements for 2011/12 and 2012/13 by a net £8 million which will be subject to further review before being required for 2013/14 onwards.

## **PRUDENTIAL INDICATORS**

9.12 In considering the programme for 2012/15 Cabinet is advised that:-

- a. The existing commitments require additional borrowing of around £13 million for 2011/12 with the additional requirements reducing in subsequent years.
- b. To accommodate the additional items detailed in Section 9.7 would increase the level of borrowing by £0.5 million in 2012/13, and potentially by £4.7 million in 2013/14 and 2014/15.
- c. If the variations to the programme detailed in Section 9.10 are accepted then there is a reduction in the level of borrowing required for 2012/13 of around £8 million and for 2013/14 an increase of around £8 million.
- d. The borrowing requirements for future years will be confirmed as part of the Treasury Management Strategy report to Cabinet on 20 February 2012. Assuming the changes are approved the requirements are:-

Year	Increase in borrowing	Revenue costs (cumulative)
2012/13	£5 million	Increase of £0.5 million
2013/14	£14 million	Increase of £1.4 million

At this stage the projections for 2013/15 are subject to considerable variation as this will follow the Local Government Resource Review findings and implementation. The Capital Programme presently includes on-going commitments.

- e. In terms of key Prudential Indicators the ratio of financing costs to the net revenue stream will continue to increase as the capital programme increases whilst the revenue stream reduces. Based upon the latest projections it remains around 8%.
- f. If the decision is taken to spend in excess of the level of identified resources then this would require increased use of borrowing which incurs annual revenue costs at the rate of £100,000 per £1 million of capital expenditure. In considering the impact upon Council Tax levels each 1% rise in Council Tax equates to £1.3 million of increased expenditure.

## **10.0 LEGAL IMPLICATIONS**

10.1 There are none arising directly from this report as they will be identified as each scheme is progressed.

## **11.0 EQUALITIES IMPLICATIONS**

11.1 There are none arising directly from this report as they will be identified as each scheme is progressed.

11.2 Equality Impact Assessment (EIA) is not required.

## **12.0 CARBON REDUCTION IMPLICATIONS**

12.1 There are none arising directly from this report as they will be identified as each scheme is progressed.

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1 There are none arising directly from this report as they will be identified as each scheme is progressed.

FNCE/280/11

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## **APPENDICES**

Appendix A – Capital Investment Programme Prioritisation Evaluation Criteria.

Appendix B – Approved Capital Programme 2011/15.

Appendix C – Capital Programme Submissions for Approval.

## **REFERENCE MATERIAL**

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

## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Cabinet - Capital Programme and Financing 2011/15	9 December 2010
Cabinet - Capital Programme and Financing 2011/13	21 February 2011
Cabinet - Capital Out-turn and Determinations 2010/11	23 June 2011
Cabinet - Capital Strategy	13 October 2011

# **APPENDIX C**

## **WIRRAL COUNCIL**

## **INSURANCE FUND**

**2012/13**

**WIRRAL COUNCIL**  
**INSURANCE FUND 2012/13**

**SUMMARY**

The Insurance Fund is a fundamental component of the Risk Management Strategy with any reduction in claims producing a direct benefit to the Council. To achieve best value in the management of losses through insurance claims Wirral wholly self-insures those risks that have the capacity to generate low value losses. For risks that have the potential to produce catastrophic losses the Council undertakes to meet the cost of claims in any given year up to an agreed figure with insurers meeting all costs above the sum.

**CABINET 24 NOVEMBER 2011**

**Minute 198 - INSURANCE FUND BUDGET 2012/13**

A report by the Director of Finance set out the elements which made up the Insurance Fund, the cost of running the Risk and Insurance Section and the Budget for 2012/13. The Insurance Fund Budget was one element of the Council Budget setting process.

RESOLVED: That

- (1) the Insurance Fund Budget 2012/13 be agreed;
- (2) the budget Surplus reserve of £136,030 be used to limit the increase in cost to the General Fund in 2012/13; and
- (3) Savings to Schools (subject to Academy transfers) of £226,000 and increased costs to the General Fund of £20,000 for 2012/13 be agreed.

## WIRRAL COUNCIL

### CABINET

24 NOVEMBER 2011

<b>SUBJECT</b>	<b>INSURANCE FUND BUDGET 2012/13</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR STEVE FOULKES</b>
<b>KEY DECISION</b>	<b>YES</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1. This report sets out the elements which make up the Insurance Fund, the cost of running the Risk & Insurance Section and the Budget for 2012/13. The Insurance Fund Budget is one element of the Council Budget setting process.

#### 2.0 RECOMMENDATIONS

- 2.1 That the Insurance Fund Budget 2012/13 be agreed.
- 2.2 That the Budget Surplus Reserve of £136,030 be used to limit the increase in cost to the General Fund for 2012/13.
- 2.3 That savings to schools (subject to Academy transfers) of £226,000 and increased costs to the General Fund of £20,000 for 2012/13 be agreed.

#### 3.0 REASON FOR RECOMMENDATIONS

- 3.1 The Insurance Fund Budget is to adequately fund insurable risk and ensure the equitable allocation of insurance costs. It is agreed at this stage of the financial year in order to support the Council Budget setting process.

#### 4.0 BACKGROUND AND KEY ISSUES

- 4.1. Under the provisions of the Local Government and Housing Act 1989 Local Authorities are allowed to set aside financial provisions to cover self-insured losses.
- 4.2 By self-insuring an Authority avoids paying insurers' administration, profit margins and Insurance Premium Tax on predictable levels of claims. Furthermore only rarely do external insurers return any premium irrespective of the profits generated by a policy.

- 4.3. Wirral Council has operated an Insurance Fund since its formation and was one of the first local authorities to adopt a high degree of self-insurance when large excesses on liability and material damage insurance were negotiated in the 1980s.
- 4.4 Self-funding is a fundamental element of the risk management strategy. It provides a greater incentive to deal with risk more effectively since any reduction in claims directly benefits the Authority.

### **RISK MANAGEMENT**

- 4.5 To achieve overall best value in funding insurable losses a mixture of external and self-insurance is needed.
- 4.6 The Authority wholly self-insures those risks that have the capacity to generate low value losses. In respect of risks that have the potential to produce catastrophic losses, the Council undertakes to meet the cost of all claims in any given year up to an agreed figure. Insurers meet all costs above this sum.
- 4.7 External insurance premia are met by the Insurance Fund and are recharged to departments together with self-insurance premia.

### **SELF FUNDED RISKS**

- 4.8 Detailed below are the principal risks which the Council currently self-insures together with the maximum sum the Council might have to pay for losses in any given financial year. These sums are unchanged from last year. It should be noted that expenditure in respect of such losses will be spread over several subsequent years.

4.9 TYPE OF INSURANCE	ANNUAL AGGREGATE DEDUCTIBLE
Combined Liability	£2,500,000
Material Damage & Business Interruption (Fire)	£ 500,000
Material Damage & Business Interruption (Storm/Flood/Burst Pipes)	£1,000,000
Comprehensive Motor	£ 200,000
Fidelity Guarantee	£ 25,000
Loss/Damage to Equipment	Unlimited
Glazing (Schools)	Unlimited

### **PREMIA**

- 4.10. The premia charged in recent years in respect of the three principal risks covered by the Insurance Fund are as follows:-

a. **COMBINED LIABILITY**

This policy was the subject of a tender ahead of the expiry of the previous contract on 31 March 2010. The tender resulted in reductions in both the premium and claims handling costs and a decrease in the level of the self-insured retention. This enabled the Insurance Fund contribution to be reduced from £2.1 million in 2010/11 to £1.5 million in 2011/12. However with growth in claims numbers and costs being experienced an increase of £50,000 in contributions has been included for 2012/13.

Year	Premium	
	External Insurance**	Insurance Fund
	£000	£000
2007/08	236	3,300
2008/09	261	3,200
2009/10	270	2,800
2010/11	285	2,100
2011/12	149	1,500
2012/13	155	1,550

\*\* Exclusive of claims handling charges.

b. **MATERIAL DAMAGE & BUSINESS INTERRUPTION**

The material damage policy was tendered in 2008 resulting in an extension of cover to include damage from storm, flood, burst pipes and business interruption losses. The contract is subject to a Long Term Agreement until June 2013 and the premium rates are expected to continue at the existing level until then. The ongoing removal of buildings through schools converting to academies and the asset rationalisation programme is countering increases in the sum insured through inflation in building costs. The external premium is forecast to reduce for 2012/13. Insurance Fund contributions are reviewed annually and have fallen in recent years despite taking on an increased exposure through the extensions of cover. There are no claims handling charges as the Risk & Insurance Team handles claims for these policies.

Year	Premium	
	External Insurance	Insurance Fund
	£000	£000
2007/08	328	340
2008/09	382	340
2009/10	384	330
2010/11	333	300
2011/12	329	300
2012/13	312	300

### c. **COMPREHENSIVE MOTOR**

This policy was placed with Zurich Municipal on 1 April 2009, following a competitive tender. The initial Long Term Agreement is due to expire on 31 March 2012. The Council has an option to extend that agreement for a further two years provided that there is no deterioration in the cover or premium rates. Given that insurers have agreed to reduce their charges from renewal the extension will be taken up. Whilst the Insurance Fund contribution is reviewed annually no change is suggested for 2012/13.

Year	Premium	
	External Insurance **	Insurance Fund
	£000	£000
2007/08	55	81
2008/09	49	81
2009/10	50	90
2010/11	44	65
2011/12	35	70
2012/13	26	70

\*\* Exclusive of claims handling charges.

### **OTHER**

- 4.11 In addition to the three main classes of insurance the Authority also procures external insurance for smaller risks such as loss of money, fidelity guarantee and loss or damage to ICT equipment and self-insures other risks including loss of equipment and damage to glazing. For most of these risks losses are modest and premia remain fairly stable. Improved management of equipment claims led to claims costs falling from over £100,000 in 2004/05 to less than £20,000 in 2010/11.
- 4.12 In relation to Engineering Insurance and Inspection it was intended to restrict the contract to only those categories of plant for which inspection is a legal requirement. For non-statutory plant information from maintenance and service visits would have been used to identify and act on potential defects. Subsequent investigations indicated that in some areas the management regime around maintenance and servicing needs to be enhanced in order for these to be the sole source of information on possible defects. All items will remain on the contract until management arrangements have been revised.

### **RESERVES AND PROVISIONS**

- 4.13 Many claims are not settled within the financial year in which they arise. In the case of legal liabilities, claims may not even be reported in the year in which an incident occurs. Thus the total cost of all claims relating to a given year will be spread over several subsequent financial years. The rate of submission of historic claims has increased sharply over recent account years.

- 4.14 Provisions have to be made in respect of losses previously incurred but which will be settled in future financial years. Without such provisions the Council would not have the funds available to meet these future claims costs.
- 4.15 The provisions are based on claims data held by the Risk & Insurance Section taken at the end of each financial year. After rising between 2001/02 and 2004/05 they have fallen significantly every year since 2005/06. This has been regularly reported to Cabinet and has enabled almost £16 million to be returned to the General Fund balances since 2005/06 to support the delivery of Council services.
- 4.16 An actuarial funding study is undertaken by professional actuaries every two years to evaluate whether the sum held to meet liability losses is sufficient and also the sum needed to be invested to meet the costs of current claims. In the intervening years a self-evaluation is undertaken as was the case for liabilities incurred as at 31 March 2011. This evaluation was reported to Cabinet on 23 June 2011 and indicated that continued improvements in the ability to defend claims had been sustained. As a result there was a surplus of £947,000 within the Insurance Fund which was released to balances.
- 4.17 At this time it is proposed to release the Budget Surplus Reserve to mitigate the impact of the increase in Insurance Fund contributions for 2012/13. No further reductions are proposed at this time.

Category of Reserve / Provision	Actual 31/03/11 £	Forecast 31/03/12 £
Combined Liability	7,878,337*	7,878,337
Property	2,422,402	2,422,402
Motor	250,000	250,000
Civil Contingency (funds improvements in resilience to service disruption)	1,500,000	1,500,000
Risk Management (supports individual risk improvement initiatives)	354,162	354,162
Uninsured Liability (funds historic claims where insurer cannot be traced or is insolvent)	2,416,784	2,416,784
Budget Surplus	136,030	0
Wholly self-insured claims (such as plate glass and equipment)	309,456	309,456
Total	£15,267,171	£15,131,141

## MANAGEMENT ACCOUNT

- 4.18 In addition to promoting the effective management of risk the Risk and Insurance Team places and administers all external insurance policies, manages the Insurance Fund and oversees the handling of all claims. The balance of work has altered in recent years with greater emphasis now being placed on risk management activity.

4.19 The costs of the Risk & Insurance Section are charged to the Insurance Fund and are recharged in the form of a percentage overhead on insurance premia. For 2012/13 the percentage will be 8.7% which is lower than for 2010/11 principally due to the impact of the income from Academy schools. The Team has been very successful in developing a service to offer support to Academies seeking insurance, as they cannot be covered under the Council policy, and all schools which have converted this financial year have entered into Service Level Agreements.

4.20 The Management Account costs for 2011/12 compared with 2012/13:-

Item	2011/12 £	2012/13 £
Staffing & overheads	262,500	265,500
Press & PR post	21,000	0
Insurance Brokers	12,500	12,500
Actuarial study	0	6,500
Income from Academy schools	0	- 42,500
Total	296,000	242,000

### **INSURANCE FUND BUDGET 2012/13**

4.21 The Insurance Fund Budget is shown in the Appendix. The table compares the Budget for 2011/12 with the Budget for 2012/13.

	2011/12 £000	2012/13 £000
Schools	925	*699
General Fund	2,164	2,184
Budget Surplus contribution	-	136
Total	3,089	3,019

\*Assumes Ridgeway, Woodchurch, Weatherhead, Mosslands, Hilbre and South Wirral schools all convert to Academy status prior to, or during 2012/13 otherwise this figure will be higher. The figure excludes three secondary schools which are expected to convert between now and the start of the new financial year. Should conversion be delayed then there would be both additional costs and additional income to the Fund.

4.22 The Budget 2012/13 equates to an overall decrease of approximately 2.3% and since 2009/10 costs have reduced by more than 36%. This reduction reflects the continuing improvements in claims experience and the effectiveness of the approach to procurement. The increase to the General Fund reflects the increased proportion of claims costs from non-schools areas which has been mitigated for 2012/13 by the use of the Budget Surplus Reserve in the Insurance Fund which was created to even out fluctuations in costs between financial years.

## **5.0 RELEVANT RISKS**

- 5.1 The fact that contracts are subject to Long Term Agreements acts to reduce the likelihood of any significant changes to the extent of cover or to external premia. With the expiry of Long Term Agreements from 2015 onwards there could be upward pressure on external premia if insurers' investment returns remain low or reinsurance costs rise.
- 5.2 Insurance Fund contributions are the largest element of the total. As they are directly related to claims the contributions could rise in the event of a series of major losses. This is effectively managed by the maintaining a prudent level of reserves and provisions.
- 5.3 If primary schools decided to convert to academy status then this could create a shortfall in income to the Insurance Fund. The Risk & Insurance Section takes steps to gain early notice of any potential conversions.
- 5.4 The Government response to the Jackson review of civil litigation and expected changes to the Civil Procedure Rules could result in a large influx of new liability claims both before, and after, changes are implemented. There are indications that elements which could have benefited local government may not be implemented in order to deliver the wider package of reform.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 No other options were considered in respect of this report.

## **7.0 CONSULTATION**

- 7.1 The Risk & Insurance Team liaises with schools and Council departments to obtain information required to determine the Insurance Fund Budget.

## **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

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

## **9.0 RESOURCE IMPLICATIONS**

- 9.1. The 2012/13 Budget includes a one-off contribution from the Insurance Fund Budget Surplus Reserve for 2012/13 which gives a reduction in insurance costs of £70,000 from 2011/12. This reflects the sustained improvements in claims management and also the extensive work with schools to enable insurable risks to be more accurately assessed and managed more effectively.
- 9.2. The work to provide support for Academy schools, which cannot be covered under the Council policy, and the Cabinet decision to seek to adopt the British Standard for risk management have placed, and will place, further pressure on the capacity of the Risk & Insurance Team.

9.3 There are no asset or IT implications arising directly from this report.

## **10.0 LEGAL IMPLICATIONS**

10.1 There are no direct implications arising from this report.

## **11.0 EQUALITIES IMPLICATIONS**

11.1 There are no direct implications arising from this report.

## **12.0 CARBON REDUCTION IMPLICATIONS**

12.1 There are no direct implications arising from this report.

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1 There are no direct implications arising from this report.

FNCE/258/11

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## **APPENDIX**

Comparison of Insurance Fund base budgets for 2011/12 and 2012/13.

## **REFERENCE MATERIAL**

Correspondence with JLT Public Sector Risks .  
Risk & Insurance Section Database.  
Zurich Municipal and Teceris Claims Management claims records.

## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Cabinet - Insurance Fund Budget 2011/12	25 November 2010
Cabinet - Insurance Fund Budget 2010/11	14 January 2010
Cabinet - Insurance Fund Budget 2009/10	27 November 2008

**WIRRAL COUNCIL  
INSURANCE FUND BUDGET**

Base Budget 2011/12

Base Budget 2012/13

<b>Expenditure</b>	<b>External Premia £</b>	<b>Insurance Fund Contributions £</b>	<b>Total £</b>	<b>External Premia £</b>	<b>Insurance Fund Contributions £</b>	<b>Total £</b>
Liabilities	243,000	1,500,000	1,743,000	230,000	1,550,000	1,780,000
Fire	329,000	300,000	629,000	319,000	300,000	619,000
Motor	42,000	70,000	112,000	26,000	70,000	96,000
Other	211,000	98,000	309,000	204,000	78,000	282,000
Management Account			296,000			242,000
<b>Total Expenditure</b>			<b><u>3,089,000</u></b>			<b><u>3,019,000</u></b>
<b>Income</b>						
Schools			( 925,000)			( 699,000)
General Fund			(2,164,000)			(2,184,000)
Contribution from Budget Surplus Reserve			( 0)			( 136,000)
<b>Total Income</b>			<b><u>(3,089,000)</u></b>			<b><u>(3,019,000)</u></b>

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**WIRRAL COUNCIL**

**SCHOOLS BUDGET**

**2012/13**

**WIRRAL COUNCIL**  
**SCHOOLS BUDGET 2012/13**

**SUMMARY**

The Schools Budget is separate from the Council Budget for General Fund services. It represents the use of the Government Grant provided for Schools which is known as the Dedicated Schools Grant.

Schools Forum on the 24 January 2012 agreed a net Schools Budget of £2,422,400.

Cabinet on 2 February 2012 approved growth of £322,700 relating to the Private Finance Initiative contract, increasing the net Schools Budget to £2,745,100.

## WIRRAL COUNCIL

### CABINET

20 FEBRUARY 2012

<b>SUBJECT:</b>	<b>SCHOOLS BUDGET 2012/13</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>ACTING DIRECTOR OF CHILDRENS SERVICES</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR ANN MCLACHLAN</b>
<b>KEY DECISION</b>	<b>YES</b>

### 2.0 EXECUTIVE SUMMARY

This report recommends the approval of a Schools Budget for 2012/13 of £179,089,400 for maintained schools and £49,335,300 for the anticipated number of academies. In addition a transfer to the Schools Budget of two areas from the Children and Young Peoples Budget, (Private Finance Initiative and Planned Maintenance) totalling £2,745,100 is proposed. The report includes some minor changes to the Schools and Early Years Funding Formulae. Reports on these areas were presented to the Schools Forum on 24 January 2012.

### 3.0 RECOMMENDATION

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

- The DSG funded Schools Budget for maintained schools is approved at the sum of £179,089,400.
- The headroom of £250,700 be allocated within the formula to all schools.
- £200,000 of PPM included in the Schools Budget is funded from DSG.
- The contributions to combined budgets are approved.
- The changes to the Schools Funding Formula and the Early Years Single Funding Formula are agreed.
- A Special School Funding Trigger is applied to deal with surplus places in 4 Special Schools.

### 3.0 REASONS FOR RECOMMENDATION/S

3.1 The Council is required to set a Schools Budget for 2012/13. 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.

## 4.0 BACKGROUND AND KEY ISSUES

### 4.1 Schools Budget 2012/13

The schools funding allocations were issued by the Department for Education on 13 December 2011. The allocations are for a further year and continue the current grant methodology. School funding is maintained at “flat cash” per pupil. This means that overall budgets per pupil are unchanged in cash terms and are without any inflationary increases.

#### 4.1.1 Pupil Premium

The Pupil Premium will provide additional funding for deprived pupils. The grant was introduced in 2011/12 and must be allocated in full to schools. The Premium is set at £600 for each pupil who has been eligible for free school meals at any point over the last 6 years. This is an increase from the original 2011/12 amount of £430 (which was increased mid-year to £488). A similar premium is also payable in respect of Looked After Children and Service Children (although the latter group will be funded at £250). An initial estimate calculates the premium to be £6.3 million for Wirral’s maintained schools in 2012/13.

#### 4.1.2 Dedicated Schools Grant (DSG)

The estimated level of DSG for Wirral is:

Guaranteed Unit of Funding (GUF)	Guaranteed Unit of Funding (GUF)	Estimate of all Pupil Numbers	<b>DSG</b>
2011-12	2012-13		2012-13
£	£		£
5,028.39	5028.39	45,426.7	228,424,700

Estimated pupil numbers are based on October census data where available and include academies. Final allocations will be issued in June 2012, based on January 2012 pupil numbers.

The amount includes the DSG which will be allocated to Academy schools. During 2011/12 a number of Secondary Schools have become academies. Currently there are 9 academies, with another 4 anticipated before the end of 2011/12. Academies are independent from the local authority and are funded separately from maintained schools, through the YPLA (Education Funding Agency from 1 April 2012). However regulations require Wirral to continue to calculate their budgets.

The Academy share of the total £228,424,700 DSG is estimated to be £49,335,300. The share of DSG in respect of Wirral’s maintained schools is estimated to be £179,089,400.

#### **4.1.3 Minimum Funding Guarantee (MFG)**

The Secretary of State announced that the MFG would continue in 2012/13, 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 Inflation**

No direct provision is included in the budget for pay awards since none are anticipated in 2012 with the exception of £250 for non-teaching staff. There is no general provision for price inflation

#### **4.1.5 Changes in Delegated Schools Expenditure**

The changes in delegated schools expenditure include:

- Net falling rolls £1,201,300 – the estimated secondary numbers (11-15) will reduce from 18,101 to 17,679 (a 2% reduction), this will be matched by a similar reduction in grant. There is a small increase in primary numbers from 23,687 to 23,944 (a 1% increase).
- 6<sup>th</sup> Form Funding. To date no allocations have been received from the YPLA, these are unlikely to be received before the end of March. Indications are that amounts will reduce as previously indicated for the Teachers Pay Grant and for transitional protection to bring school sixth form allocations in line with other colleges. There has also been a 6% reduction in student numbers. Taking all factors into account the overall allocations may reduce by about £1.6m (8%).
- 8 places for Social Communication Difficulties / Autistic Spectrum Disorder (SCD / ASD) at Claremount Special School. Part year cost £68,300 funding initially from the SEN plan.
- Full time provision at Wirral Hospital school for 50% of students £130,000.

#### **4.1.6 Changes in Central Expenditure £120,000**

16-19 SEN costs have increased by £50,000. These costs are supported by a grant from the YPLA. The grant is not needs-led and has in recent years been cut based on overall population projections. The budget makes provision for a similar cut to last year of £50,000. The actual amount is still to be confirmed.

Carbon Reduction Commitment has increased by £70,000. The budget provision for this area has been retained centrally for all schools and academies in accordance with School Finance Regulations. The provision identified in 2011/12 of £189,400 has been increased to £259,400. This reflects the anticipated costs for 2011/12 which are estimated to be £240,000 and a small additional provision if further charges are received or if the scheme changes.

#### **4.1.7 Schools Budget elements funded by the Local Authority**

The Schools Budget report includes the transfer of two areas from the Children and Young People's budget on the advice of the Department for Education. The initial transfer has been made with matching LA resources and therefore has no impact on overall schools funding.

These budgets are in respect of the following:

PFI – the funding Gap for the Councils 9 school PFI scheme of £1,973,400. This budget - known as the "PFI Affordability Gap" - is the shortfall between the cost of PFI (£10.3m), and the combined government grant (£5.5m) and school contributions received (£2.8m). The gap increases each year in line with the contract inflation clause. Cabinet on the 2<sup>nd</sup> February 2012 approved growth of £322,700 for PFI inflation.

Schools PPM £649,000 - This resource is intended to support the health and safety and maintenance of schools buildings, grounds and equipment. It also pays for minor repairs, emergencies and costs associated with the security and utilities of closed buildings.

There is a budget saving arising from the closure of Cole Street (estimated at £200,000). The saving represents lump sums and other costs that are no longer payable through the schools funding formula now that the school has closed. The Schools Forum has agreed that this £200,000 can be used to fund the PPM programme.

#### **4.2 Schools Funding Formula**

The DfE are continuing to develop proposals for a new funding formula for all schools and academies and to move away from the current "spend plus" methodology used to distribute DSG. The DfE indicated over the summer that changes would not be introduced before 2013/14 at the earliest (and may be delayed further). With this in mind the views of schools have been sought on any interim changes that may be needed.

Funding stability continues to be a priority for schools and so the grants that were consolidated into the funding formula in 2011/12 should continue to be distributed on the same basis. The decision will be reviewed again when the governments intentions for funding reform are clearer.

Changes will be introduced to the funding of the Hospital School in order to part fund additional costs of full-time education from other schools.

No changes are proposed to the Free School Meals measure within the funding formula. Although a move to a broader measure taking account of FSM eligibility over the last 3 or 6 years was supported by schools this is not being recommended. The change would move resources from Primary to Secondary schools and would reduce the focus of funding on the highest levels of deprivation.

The retention of funding for the City Learning Centres (CLC's) from within the centrally managed schools budget (£814,700) was agreed. All schools (including academies) will continue to have free access to CLC's with charges levied only for additional services or costs incurred. The facilities will be reviewed in 2012/13 with a view to reducing costs and making more sustainable.

#### **4.3 Special School Surplus Place Funding**

Special Schools are funded by places rather than pupils in the funding formula. The Schools Forum has supported a new mechanism within the formula to deal with surplus place funding in Special Schools. This is based on schools with more than 5 surplus places providing an analysis of their situation, together with proposed plans for the use of excess funding. The applications are considered by a panel of Forum members.

If the school plans are agreed the surplus funding identified is retained by the school, if not funding is reduced by 5 places from the following September. The reduction is for a period of 12 months after which an agreement would be reached with a revised admission number.

The Panel has met to consider applications by 4 schools, Foxfield, Hayfield, Lyndale and Orrets Meadow. The decisions (following an appeal) will be reported to the Schools Forum in March and to Cabinet.

#### **4.4 Early Years Single Funding Formula (EYSFF)**

A new Early Years Formula was introduced in April 2011 to fund the Free Entitlement for early years provision for all 3 and 4 year olds in nursery schools, nursery classes, day nurseries and pre-school playgroups. An initial review has been undertaken in accordance with DfE guidance.

All providers received a letter explaining the formula, the review process and a short questionnaire. The responses received indicated that the new formula is operating as intended. However it is too early to determine if the range of supplements offered provide incentives to improve quality or flexibility or target sufficient resources to deprivation.

A further review should be undertaken in 12 months to include the impact of the formula on Nursery Schools.

A trigger mechanism for unfunded hours in settings is being investigated to avoid penalising providers who accept children after headcount dates.

## **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, Academies and Early Years Providers were consulted on changes to the local funding formulae.

## **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

8.1 All Providers of Early Years Education are 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 There are none arising from this report.

## 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 in 2012/13.

## 13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising from this report.

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## REFERENCE MATERIAL

School Funding Allocations 13 December 2011.

## SUBJECT HISTORY

<b>Council Meeting</b>	<b>Date</b>
Wirral Schools Forum Implementation of the Early Years Single Funding Formula Schools Local Formula Consultation Pupil Premium 2012-13 Schools Budget 2012-13	24 January 2012
Early Years Single Funding Formula Review Consultation On School Funding Reform	27 September 2011

## SCHOOLS BUDGET

### SUMMARY

	Base Estimate 2012/13 £000
<b>Dedicated Schools Grant</b>	228,425
Less Academy transfer	-49,361
	<u><b>179,064</b></u>
 <b>Schools Budget Base Expenditure</b>	 229,260
 <b>Change in ISB Costs</b>	
Academies	-48,810
Net falling school and academy rolls	-1,302
Transfer Academy Education Inclusion Bases to Statements	-511
Transfer school funding from Contingency	118
Transfer funding for 8 Claremount places from SEN Plan	68
Rates net reduction	-30
Growth - full time provision for Hospital School	130
	<u>-50,337</u>
 <b>Changes in Central Costs</b>	
Academy recoupment	-551
Transfer school funding from Contingency	-118
Transfer funding for 8 Claremount places from SEN Plan	-68
Transfer PFI Affordability Gap from CYP budget	1,973
Transfer PPM from CYP budget	649
Transfer Academy Education Inclusion Bases to Statements	511
Growth :	
PFI inflation	323
Carbon Reduction Budget	70
16-19 SEN reduction in grant funding	50
Reduction:	
Schools Contingency	-200
Other	-4
	<u>2,635</u>
 <b>Headroom</b>	 <b>251</b>
 <b>Total Schools Expenditure</b>	 <u><b>181,809</b></u>
 <b>Net Schools Budget</b>	 <b>2,745</b>

## SCHOOLS OBJECTIVE BUDGET SUMMARY

	<b>Current Estimate 2011/12</b>	<b>Base Estimate 2012/13</b>
Schools		
Primary Schools	88,981,900	90,068,600
Secondary Schools	88,453,700	43,587,900
Special Schools	16,004,800	16,231,100
Early Years	10,263,900	10,162,600
Schools Total	<b>203,704,300</b>	<b>160,050,200</b>
Non Delegated School Costs		
Milk & Meals	236,400	233,800
Carbon Reduction	189,400	259,400
Minority Ethnic Achievement Service	292,800	199,300
Advanced Skills Teachers	317,100	317,100
Statements	5,208,200	5,617,400
Support For SEN	2,423,300	2,395,400
Wirral Alternative Schools Programme	1,047,400	1,047,400
Education Out Of School	246,200	246,100
Other Local Education Authority	204,900	133,400
Early Years	562,000	561,600
Independent Special School Fees	2,474,000	2,628,500
Library Service	204,900	204,900
Licences & Subscriptions	72,000	47,100
Insurances	65,400	65,400
Admissions	412,900	412,900
School Specific Contingencies	1,107,400	686,600
Special Staff Costs	938,500	673,200
Schools Forum	10,600	10,600
Miscellaneous	177,300	166,100
Contributions to Combined Budgets	1,193,100	1,193,100
School Intervention	674,500	674,500
City Learning Centres	814,700	814,700
Non Delegated School Costs Total	<b>18,873,000</b>	<b>18,588,500</b>
PFI and Schools PPM		<b>2,945,100</b>
Non Devolved Grant/Funded Expenditure		
Other Specific Grants	<b>0</b>	<b>0</b>
Dedicated School Grant	(222,387,300)	(179,089,400)
Headroom	0	250,700
Total	<b>(222,387,300)</b>	<b>(178,838,700)</b>
<b>Grand Total</b>	<b>190,000</b>	<b>2,745,100</b>

## SCHOOLS BUDGET SUMMARY - DETAILS

	<b>2011/12 Current Estimate</b>	<b>2012/13 Original Estimate</b>
<b>Schools</b>		
1 <b>Early Years</b>		
2 Third Party Payments	10,263,900	10,162,600
3		
4 <b>Primary Schools</b>		
5 Premises	835,100	884,500
6 Third Party Payments	88,146,800	89,184,100
7 Transfer Payments	2,970,500	4,253,400
8 Government Grants	-2,970,500	(4,253,400)
9		
10 <b>Secondary Schools</b>		
11 Premises	692,300	476,300
12 Third Party Payments	108,297,600	50,862,600
13 Transfer Payments	1,758,200	1,803,600
14 Government Grants	-1,758,200	(1,803,600)
15 Other Grants and Reimbursements	-20,536,200	(7,751,000)
16		
17 <b>Special Schools</b>		
18 Third Party Payments	16,004,800	16,231,100
19 Transfer Payments	173,600	272,400
20 Government Grants	-173,600	(272,400)
21		
22 <b>Non Delegated School Costs</b>		
23 <b>Admissions</b>		
24 Transfer Payments	40,000	40,000
25 Support Services	372,900	372,900
26		
27 <b>Early Years</b>		
28 Employees	273,600	273,200
29 Supplies and Services	100	100
30 Support Services	288,300	288,300
31		
32 <b>Education Out Of School</b>		
33 Employees	246,200	246,100
34		
35 <b>Independent Special School Fees</b>		
36 Employees	3,217,200	3,376,700
37 Support Services	17,400	17,400
38 Government Grants	-12,400	(17,400)
39 Other Grants and Reimbursements	-748,200	(748,200)

40			
41	<b>Insurances</b>		
42	Premises	65,400	5,400
43			
44	<b>Library Service</b>		
45	Employees	118,600	118,600
46	Transport	500	500
47	Supplies and Services	72,500	72,500
48	Support Services	59,700	59,700
49	Recharge to Other Revenue Accounts	-46,400	(46,400)
50			
51	<b>Licences &amp; Subscriptions</b>		
52	Supplies and Services	72,000	72,000
53	Recharge to Other Revenue Accounts	0	(24,900)
54			
55	<b>Milk &amp; Meals</b>		
56	Employees	2,597,000	2,298,100
57	Premises	174,300	174,400
58	Transport	7,700	7,700
59	Supplies and Services	1,758,700	1,559,400
60	Support Services	412,000	412,000
61	Government Grants	-105,000	(105,000)
62	Customer and Client Receipts	-1,529,100	(1,444,900)
63	Recharge to Other Revenue Accounts	-3,079,200	(2,667,900)
64			
65	<b>Miscellaneous</b>		
66	Supplies and Services	65,600	65,600
67	Third Party Payments	11,600	11,600
68	Transfer Payments	1,000	1,000
69	Support Services	99,100	99,100
70	Recharge to Other Revenue Accounts	0	(11,200)
71			
72	<b>Other Local Education Authority</b>		
73	Supplies and Services	458,500	419,700
74	Other Grants and Reimbursements	-253,600	(286,300)
75			
76	<b>School Specific Contingencies</b>		
77	Premises	51,100	51,100
78	Transfer Payments	1,048,500	730,500
79	Support Services	7,800	7,800
80	Recharge to Other Revenue Accounts	0	(102,800)
81			
82	<b>Schools Forum</b>		
83	Supplies and Services	10,600	10,600

84			
85	<b>Special Staff Costs</b>		
86	Employees	935,000	934,800
87	Support Services	3,500	3,500
88	Recharge to Other Revenue Accounts	0	(265,100)
89			
90	<b>Statements</b>		
91	Employees	947,300	816,400
92	Supplies and Services	100,300	115,000
93	Third Party Payments	4,744,600	5,220,000
94	Transfer Payments	70,000	70,000
95	Support Services	32,700	32,700
96	Other Grants and Reimbursements	-686,700	(636,700)
97			
98	<b>Support For SEN</b>		
99	Employees	2,006,500	1,877,100
100	Transport	20,000	20,000
101	Supplies and Services	41,500	41,500
102	Third Party Payments	37,100	126,100
103	Transfer Payments	26,600	26,600
104	Support Services	329,100	369,100
105	Recharge to Other Revenue Accounts	-37,500	(65,000)
106			
107	<b>Wirral Alternative Schools Programme</b>		
108	Employees	697,220	720,600
109	Premises	93,030	91,400
110	Transport	18,800	18,800
111	Supplies and Services	243,650	221,900
112	Third Party Payments	73,400	73,400
113	Support Services	146,400	146,400
114	Government Grants	0	(18,100)
115	Customer and Client Receipts	-150,000	(150,000)
116	Recharge to Other Revenue Accounts	-75,100	(57,000)
117			
118	<b>Minority Ethnic Achievement Service</b>		
119	Employees	269,700	269,600
120	Transport	6,400	6,400
121	Supplies and Services	1,700	1,700
122	Transfer Payments	15,000	15,000
123	Recharge to Other Revenue Accounts	0	(93,400)
124			
125	<b>Contributions to Combined Budgets</b>		
126	Transfer Payments	1,193,100	1,193,100
127			

128	<b>City Learning Centres</b>		
129	Employees	517,200	593,800
130	Premises	50,000	93,300
131	Transport	19,000	19,200
132	Supplies and Services	157,200	156,900
133	Third Party Payments	71,300	100
134	Support Services	0	3,500
135	Customer and Client Receipts	0	(52,100)
136			
137	<b>Advanced Skills Teachers</b>		
138	Employees	317,100	317,100
139			
140	<b>School Intervention</b>		
141	Transfer Payments	674,500	674,500
142			
143	<b>Carbon Reduction</b>		
144	Third Party Payments	189,400	259,400
145			
146	<b>Capital Expenditure From Revenue</b>		
147	Premises		649,000
148	Supplies and Services		10,643,600
149	Government Grants		(5,471,500)
150	Customer and Client Receipts		(1,680,100)
151	Recharge to Other Revenue Accounts		(1,195,900)
152			
	<b>Non Devolved Grant/Funded Expenditure</b>		
153	<b>Other Specific Grants</b>		
154	Employees	218,700	-
155	Supplies and Services	39,700	-
156	Other Grants and Reimbursements	-258,400	-
157			
158			
159	<b>Dedicated School Grant</b>		
			-
160	Government Grants	222,387,300	(228,424,700)
161	Recharge to Other Revenue Accounts	0	49,335,300
162			
163	<b>Headroom</b>		
164	Transfer Payments		250,700
165			
166	<b>Grand Total</b>	<b>190,000</b>	<b>2,745,100</b>

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## **COMMITTEE REFERRAL TO BUDGET CABINET**

### **CHILDREN AND YOUNG PEOPLE OVERVIEW AND SCRUTINY COMMITTEE 26 JANUARY 2012**

#### **MINUTE 50 - REFERRAL FROM COUNCIL - EARLY INTERVENTION GRANT**

The Committee considered a referral from Council, which on 12 December, 2011, had considered the following objection to the Cabinet minute 216 (8 December, 2011) – Budget Projections 2012-15,

‘(1) That the decision to cut £1m from the Early Intervention Grant be referred to the Children and Young People Overview and Scrutiny Committee.’

The Acting Director of Children’s Services informed the Committee that he, along with his other Chief Officer colleagues, was reminded on a daily basis that he had a statutory duty to balance the budget. Good progress was being made on this year’s budget to bring the projected overspend down. He assured the Committee that the services provided under the Early Intervention Grant budget of £17.9m could be provided for £16.9m and going forward into 2012/13 the same services could be provided for this amount.

The Chair suggested that the £1m could be used to increase the staffing in the Children’s Centres and that to cut it was depriving the Centres of the opportunity to grow. By restoring the £1m and investing it in services for young people would help in tackling child poverty.

Other Members referred to the position of the Council, which along with every other Council in the country had seen its grant cut by central government. There was a need to be responsible to the residents of Wirral and realistic in the budget setting process.

Responding to the Committee, the Acting Director stated that vacancies were filled across Children’s Centres as they arose and there were no restrictions on the filling of these vacancies nor were there for Children’s Social Workers and family workers. There were no proposals to alter service delivery as the same service could be provided with these resources.

It was moved by Councillor Hayes and seconded by Councillor Mrs P M Williams, that –

“This Committee endorses the widely held view that early intervention works and praises the work of our Sure Start Children's Centres and the many other projects which are funded by the Early Intervention Grant and do so much for Wirral's families and young people.

Therefore this committee records its concern at the proposal to remove £1 million from the Early Intervention Grant. We are unconvinced that the removal of £1 million from this grant will not have a detrimental impact on those families who are reliant on

the services which this grant funds and on the life chances of the children who benefit from these services. We ask Cabinet to think again.”

It was moved as an amendment by Councillor Dodd and seconded by Councillor W Smith, that –

“This Committee endorses the widely held view that early intervention works and praises the work of our Sure Start Children's Centres and the many other projects which are funded by the Early Intervention Grant and do so much for Wirral's families and young people.

Therefore Committee notes and appreciates the Acting Director of Children's Services assurances and assures him that he will be held to account over the coming year.”

The amendment was put and not carried (5:5).

The motion was put and carried (6:5) (on the Chair's casting vote).

**Resolved (6:5) (on the Chair's casting vote) –**

**This Committee endorses the widely held view that early intervention works and praises the work of our Sure Start Children's Centres and the many other projects which are funded by the Early Intervention Grant and do so much for Wirral's families and young people.**

**Therefore, this Committee records its concern at the proposal to remove £1 million from the Early Intervention Grant. We are unconvinced that the removal of £1 million from this grant will not have a detrimental impact on those families who are reliant on the services which this grant funds and on the life chances of the children who benefit from these services. We ask Cabinet to think again.**

It was further moved by Councillor Hayes and seconded by Councillor Povall and –

**Resolved – That this Committee continues to scrutinise the Acting Director of Children's Services over the coming year.**

## WIRRAL COUNCIL

### CABINET

21 FEBRUARY 2012

<b>SUBJECT</b>	<b>BALANCE SHEET MANAGEMENT - REVIEW OF BALANCES INCLUDING GENERAL PROVISIONS AND RESERVES</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR JEFF GREEN</b>
<b>KEY DECISION</b>	<b>YES</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report is the mid-year review of the amounts held in balances, provisions and reserves. It recommends the release of those provisions and reserves which are no longer required to the General Fund balance.

#### 2.0 RECOMMENDATIONS

- 2.1 That, having regard to the risks involved, £5,423,000 be returned to General Fund Balance.
- 2.2. That £14.5 million of provisions and £21.4 million of reserves be used to fund expenditure in 2011/12.
- 2.3 That £333,000 of the balances arising from the release of Children and Young People Department reserves be used to offset the projected overspend within the Children and Young People Department in 2011/12.
- 2.4 That £140,000 of the balances arising from the release of Regeneration, Housing and Planning Department reserves be used to fund the Working Wirral project in 2011/12.

#### 3.0 REASONS FOR RECOMMENDATIONS

- 3.1 It is accepted good practice to regularly review the level of reserves and provisions. Section 25 of the Local Government Act 2003 requires the Director of Finance to comment on the adequacy of the General Fund balance and reserves in the setting of the annual budget.
- 3.2 During the financial year Departments have indicated that they would be seeking to use available provisions and reserves to help meet the financial pressures. As these sums are released to the General Fund balance authorisation is needed to confirm that the balance can be used in this way.

#### **4.0 BACKGROUND AND KEY ISSUES**

- 4.1 Integral to the effective use of resources is an understanding of the overall financial position of the Authority. Regular reports are presented to Cabinet and to the Council Excellence Overview & Scrutiny Committee on financial monitoring in terms of the revenue position. This report reviews those resources held on the Balance Sheet in the form of balances, provisions and reserves.
- 4.2 In addition to the Statement of Recommended Practice (SORP) there is further statutory guidance contained within the Local Authority Accounting Practice bulletin (LAAP 77) on balances and reserves. Section 25 of the Local Government Act 2003 requires me to comment on the adequacy of the General Fund balance and reserves in the setting of the annual budget.
- 4.3 Having regard to the statutory guidance and the management, control and risks associated with the Council finances the General Fund balance should be set at a minimum of 2% of the net revenue budget. Resources set-aside for specific purposes as provisions and reserves should be established and used in accordance with the purposes intended. The minimum level of new reserves and provisions is set at £20,000 unless these relate to amounts held in trust and all provisions and reserves are reviewed at least twice each year.

#### **GENERAL FUND BALANCE**

- 4.4 The General Fund balances are required to cushion the impact of unexpected events or emergencies, including unpredicted overspendings, on revenue budgets.
- 4.5 There is no statutory minimum level for the General Fund balances which are set at a level based upon my assessment of the strategic, operational and financial risks in managing the annual net revenue budget which is in the region of £300 million per year. The Audit Commission has suggested that Local Authorities maintain General Fund balances at a minimum of 2% of the net revenue budget. For Wirral this equates to approximately £6 million and this is reflected in the Medium Term Financial Strategy and the regular reports to Cabinet on the Budget Projections.
- 4.6 I regard this as the minimum level required because of :-
- (a) The pressures within Adult Social Services and Children and Young People in respect of care services and also in achieving income targets which have been adversely affected by the economic situation.
  - (b) The increasing pressures to deliver enhanced services and further efficiencies from a reducing level of resources which add to the potential for spending not being kept within the resources allocated.

(c) The Spending Review 2010 and Local Government Finance Settlement gave clear indications that Government support will reduce. The outcome of the Local Government Resource Review is likely to add to the pressures and demands increasing the risks to the stability of the budget

(d) The continuing poor economic outlook will produce further pressures in terms of constraining the scope Government has to support local authorities, whilst, both increasing demand for many Council services and adversely affecting income receipts.

- 4.7 In setting the Council Budget for 2011/12 the projected General Fund Balance at 31 March 2012 was £6.9 million. This was above the minimum level to reflect the additional risks arising from the significant changes to staffing levels and resultant organisational changes taking place in 2011/12.
- 4.8 The importance of regular financial monitoring, particularly of the volatile areas within the departmental budgets, is integral to good financial management. The monthly Financial Monitoring Statement provided to all Members and the quarterly reports to Cabinet continue to fulfil a key function.
- 4.9 Together with the General Fund balance, the Council also holds other balances in the form of reserves and provisions that are set aside to meet specific or potential liabilities.

#### **PROVISIONS AND RESERVES**

- 4.10 The Council Constitution and Financial Regulations require that any provisions and reserves which are established are then monitored and used in accordance with statutory financial guidelines.
- 4.11 For each provision and reserve there needs to be a reason for / purpose of the provision / reserve and details of how and when the provision / reserve can be used. These are managed and controlled and are subject to a twice yearly review to ensure relevance and adequacy.
- 4.12 As provisions and reserves are for specific purposes, the Director of Children's Services is seeking permission to use reserves to fund a budgetary shortfall within the 2011/12 year. These need to be returned to balances initially but earmarked to fund the overspend in the Department.
- 4.13 Cabinet on 8 December 2011 agreed that any savings on the Working Wirral project should be reinvested in the project where they would attract matching European Social Fund money. One of these savings is the procurement saving of £140,000 and therefore £140,000 of reserves needs to be identified to meet this commitment to avoid a shortfall in the budget for 2011/12.

- 4.14. The Housing Benefit provisions and reserves are reviewed in a separate report on this agenda.

### **PROVISIONS**

- 4.15 Provisions are amounts set aside for any material liabilities or losses that are likely or certain to be incurred but the exact amounts and dates are not currently known. These are further analysed for accounting purposes between short-term and long-term provisions.
- 4.16 Appendix 1 provides details of all existing provisions including a narrative for the significant items together with details of their usage during the current financial year, those required to be retained for the purposes intended and those which are no longer required and can be released to the General Fund balance.

### **RESERVES**

- 4.17 Reserves are set aside by the Council to meet future expenditure such as decisions causing anticipated expenditure to be delayed. As such they are only available to be spent on specific purposes.
- 4.18 Appendix 2 provides details of all existing reserves including an explanatory narrative together with details of the usage during the current financial year, those required to be retained for the purposes intended and those which are no longer required and can be released to the General Fund balance.

## **5.0 RELEVANT RISKS**

- 5.1 Regular Balance Sheet management is required to ensure that the Authority has sufficient funds to cover any future liabilities whilst being able to release any funding not required back to the General Fund for use in funding services and/or reducing Council Tax.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 The only alternative is not to undertake the review which would not conform with best practice.

## **7.0 CONSULTATION**

- 7.1 The assessment of reserves and provisions usage for this report has involved consultation with all Council departments.

## **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 8.1 There are none arising directly from this report.

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

- 9.1 The minimum level of General Fund Balances reflecting the financial management arrangements in place has been assessed at £6 million and this sum is included in the Medium Term Financial Strategy and Budget Projections for 2012/15.
- 9.2 The review has identified that, having regard to the risks involved, £5,493,000 of provisions and reserves could be returned to General Fund balances. The major item is the £3.3 million which the Interim Director of Regeneration, Housing and Planning has released from the Working Neighbourhood Fund reserve.
- 9.3 As part of the review Chief Officers identified that £14.5 million of provisions and £21.4 million of reserves will be used during 2011/12. Under provisions this includes £8.7 million to meet the Early Voluntary Retirement / Voluntary Severance payments for people who left in 2011/12 and £4.6 million in respect of Working Neighbourhood Fund to support projects. Under reserves it is anticipated that £5.8 million will be used to meet schools harmonisation costs and £10.7 million for Regeneration, Housing and Planning activities including another £7 million to support Working Neighbourhood Fund projects.
- 9.4 There are no IT, staffing or asset implications arising directly 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.

## **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/17/12

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## APPENDICES

Appendix 1 – Provisions

Appendix 2 - Reserves

## REFERENCE MATERIAL

Local Authority Accounting Practice (LAAP 77) – Local Authority Reserves and Balances.

## SUBJECT HISTORY

<b>Council Meeting</b>	<b>Date</b>
Cabinet - Financial Outturn 2010/11	23 June 2011
Cabinet - Balance Sheet Management	9 December 2010
Cabinet - Financial Outturn 2009/10	24 June 2010
Cabinet - Balance Sheet Management	26 November 2009
Cabinet - Financial Out-turn 2009/10	25 June 2009

## PROVISIONS

Department/ Description	Balance 01/04/2011	To use in year	Additions	Return to balances	Estimate 31/03/2012	Reason for/ purpose of the provision
	£000	£000	£000	£000	£000	
<b>Adult Social Services</b>						
Harvest Court Lease	49	(28)	-	-	21	Backdated lease costs with balance to be used in 2012/13
Supported Living	72	(72)	-	-	-	Refunds resulting from charging policy
	<b>121</b>	<b>(100)</b>	<b>-</b>	<b>-</b>	<b>21</b>	
<b>Children &amp; Young People</b>						
Transport Depot	40	(40)	-	-	-	Repairing/replacing the depot fuel tanks
	<b>40</b>	<b>(40)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Finance</b>						
Housing Benefit Grant	2,953	-	-	-	2,953	Settlement of claims. Report to Cabinet 2 February 2012
Call Centre IT Equipment	2	(2)	-	-	-	Final payment for IT equipment
	<b>2,955</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>2,953</b>	
<b>Law, HR &amp; Asset Management</b>						
EVR VS Scheme	8,748	(8,748)	-	-	-	Used to meet the costs of the scheme in 2011/12
Community Asset Transfer	690	-	-	-	690	Funding approved to support agreed transfers
Energy Conservation	230	-	-	-	230	Implementing automated metering system
Land Charges Revocation	-	-	34	-	34	Regulation changes for personal search fees
Voluntary Registration	8	-	-	(8)	-	Scheme concluded so no longer needed
	<b>9,676</b>	<b>(8,748)</b>	<b>34</b>	<b>(8)</b>	<b>954</b>	
<b>Regen, Housing &amp; Planning</b>						
Employment Land Study	7	(7)	-	-	-	Remaining costs of Employment Land Study
MEAS	15	(15)	-	-	-	Merseyside Environmental Advisory Service costs
Area Forum Funding	19	(19)	-	-	-	Remaining allocations for use by Area Forums
ERNACT	20	-	-	(20)	-	No longer required as no commitments re ERNACT
Merseyside Habitats Regulations	22	(22)	-	-	-	Residual allocation now committed
EVR Costs	65	(65)	-	-	-	For departmental EVR costs
Renewable Energy Study	40	(40)	-	-	-	Residual allocation now committed
Local Development Framework	127	(127)	-	-	-	Residual sum to complete studies
Hoylake West Kirby Match Fund	45	-	-	(45)	-	Was for contribution to Hoylake/West Kirby schemes
You Decide	66	(66)	-	-	-	Allocated but not spent until this year

CL - Kelvinside Rent	97	-	-	(97)	-	No longer required as Central Government relaxed clawback
Merseyside Information Service	119	-	-	-	119	Costs of winding up the organisation
WMBC Match Funding	122	-	-	(122)	-	General sum was to support revenue funded schemes
LAA Network Support	134	(134)	-	-	-	Residual allocation committed
Empty Property	189	(189)	-	-	-	Capital receipts to be recycled
Working Neighbourhood Fund	4,582	(4,582)	-	-	-	To support committed WNF projects
Land Charges Provision	569	-	-	-	569	To fund potential liabilities from changes to legislation
	<b>6,238</b>	<b>(5,266)</b>	-	<b>(284)</b>	<b>688</b>	
<b>Technical Service</b>						
Highways Write Off Fund	99	-	-	-	99	For bad debts from highways charges
Planned Maintenance	254	(254)	-	-	-	For works completed in 2011/12
Transport Write Off Fund	50	-	-	(50)	-	For bad debts from transport charges
Technology Provision	150	(80)	-	-	70	For Change Team IT system development
	<b>553</b>	<b>(334)</b>	-	<b>(50)</b>	<b>169</b>	
<b>TOTAL PROVISIONS</b>	<b>19,583</b>	<b>(14,490)</b>	<b>34</b>	<b>(342)</b>	<b>4,785</b>	

## RESERVES

Department/ Description	Balance 01/04/2011	To use in year	Additions	Return to balances	Estimate 31/03/2012	Reason for/ purpose of the reserve
	£000	£000	£000	£000	£000	
<b>Adult Social Services</b>						
Donations / external contributions	15	(15)	15	-	15	From external groups for set purposes
Person Centred Plan	6	-	-	-	6	Assist those with Learning Difficulties with support planning
Supported Living	73	-	-	-	73	Service charge accounts for maintenance of properties
End of Life Care	23	(23)	-	-	-	Skills development for domiciliary staff in projects in NW
	<b>117</b>	<b>(38)</b>	<b>15</b>	<b>-</b>	<b>94</b>	
<b>Children &amp; Young People</b>						
Schools balances	11,733	(3,000)-	-	-	8,733	Ring fenced to schools and will reduce as Academies set up
Schools contribution to capital	655	-	-	-	655	Contributions towards capital schemes
Schools Auto Meter Readers	415	-	-	-	415	To support carbon reduction in schools
Schools Special Contingency	370	-	-	-	370	For unforeseen costs/changes in pupil numbers
Schools Cash Management Seed	308	-	-	-	308	Parent Teacher's contributions for six cash managed schools.
Curriculum - Summer Term	280	-	-	-	280	For advisory teachers should schools not purchase services
Schools - Capital Contributions	169	-	-	-	169	Contribution from Woodchurch High and Gilbrook School
YOS - Multi Systemic Therapy	126	-	-	-	126	PCT contribution to MST programme
Childrens Centre Income	123	-	-	-	123	To meet possible Sure Start bad debts
DAT Pooled Budgets (Res)	119	-	-	-	119	PCT Funding for the Drug Abuse Action Team
Nursery Educ Grant	108	(108)	-	-	-	To fund nursery education
CAMHS Reserve	95	-	-	-	95	Monies for fostering care from PCT
PFI Capital Reserve	92	-	-	-	92	For works, beyond contract specification
Schools External Funding	66	-	-	-	66	Grouped Reserves for Schools – Trips, etc
Schools Capital	63	-	-	-	63	Formula Capital - grant devolved to schools to spend
Childrens LCL safeguarding	42	(42)	-	-	-	To fund service provision for Safeguarding
Park High Outstanding Invoices	40	(40)	-	-	-	Funding relating to disputed invoices
Oaklands Capital Contribution	32	-	-	-	32	Contribution towards capital costs at Oaklands
Baby P	32	(32)	-	-	-	To fund costs arising from Baby P review
Park High Momenta funds	31	(31)	-	-	-	Redundancy costs funding.
Moving On	30	(30)	-	-	-	Designated support - long term placements
School Improvement Reserve	28	-	-	-	28	Pension Strain costs in School Improvement
Accommodation Strategy	8	(8)	-	-	-	Unused CYP contribution to capital costs
Adoption & Fostering Reserve	7	-	-	-	7	For Adoption & Fostering Consortium

PAYP Web Post Funding	7	(7)	-	-	-	PAYP Web Post Funding
Schools Harmonisation	3,882	(3,882)	-	-	-	Anticipated costs for implementing pay harmonisation.
School Harmonisation Loan	2,000	(2,000)	-	-	-	To cover Phase 2 of the Local Pay Review
Planned Maintenance	100	-	-	(100)	-	Returned to balances to support CYP budget
Childrens W/force Dev Council	20	-	-	-	20	Payments for services Ex Officio to external organisations.
Youth Offending Services	50	-	-	(50)	-	Returned to balances to support CYP budget
Transport Reserve	53	-	-	(53)	-	Returned to balances to support CYP budget
Music Service Income	130	-	-	(130)	-	Returned to balances to support CYP budget
ASB Reserve	34	-	-	-	34	To fund anti-social behaviour team activity
Vehicle Purchase	160	(160)	-	-	-	To support the cost of replacing the vehicle fleet
Capital Reserve Aiming High	(5)	-	5	-	-	Support objectives of Aiming High (Willowtree)
	<b>21,403</b>	<b>(9,340)</b>	<b>5</b>	<b>(333)</b>	<b>11,735</b>	
<b>Finance</b>						
Debt Restructuring	7,941	-	-	-	7,941	For re-aligning debt portfolio / leases
Housing Benefit	7,718	-	-	-	7,718	Potential liabilities to DWP. Report to Cabinet 2 Feb 2012
Housing Benefits - Supp People	4,436	-	-	-	4,436	Potential liabilities. Report to Cabinet 2 February 2012
MRP Adjustments Reserve	4,400	-	-	-	4,400	Costs from capital accounting changes (MRP)
Intranet Development	1,633	-	-	-	1,633	Existing broadband and future IT developments
One Stop Shop IT Networks	1,784	(150)	-	-	1,634	To develop IT integrating One Stop Shops / libraries
ITS Replacement Programme	750	-	-	-	750	For replacement IT across the Council
Matching Fund	477	-	-	-	477	For Council Contribution to Special Initiatives
Schools Service IT Reserve	294	-	-	-	294	For year on year service changes / hardware
Printing Unit	185	-	-	-	185	For revenue shortfalls and equipment renewals
Leasing	135	-	-	-	135	To assist in lease terminations and costs.
ITS Corp Network	147	(75)	-	-	72	IT corporate network hardware requirements
Housing Revenue Account	103	-	-	(63)	40	Liabilities arising from stock transfer which have reduced
Book Festival / Library Initiatives	32	-	-	-	32	To fund Wirral Book Festival and other initiatives
Training Reserve	115	(89)	-	-	26	For equipment / IT for Training rooms
HB/CT Web Based Form	17	-	-	(17)	-	Web based claim form
Schools Broadband	77	(77)	-	-	-	For projects of the IT Services Schools group
	<b>30,244</b>	<b>(391)</b>	<b>-</b>	<b>(80)</b>	<b>29,773</b>	
<b>Law, HR &amp; Asset Management</b>						
Community Asset Transfer	3,721	-	-	-	3,721	Community Asset Transfer programme.
Local Pay Review	2,758	-	-	-	2,758	Harmonisation and equal pay legislation
Strategic Asset Review	808	-	-	-	808	For costs arising from Asset Review

PPM Libraries	486	-	-	-	486	Building Maintenance Libraries £1.2m balance.
Property Maint Disabled Access	311	-	-	-	311	To fund Capital Programme 2010-2013
Community Safety Initiatives	130	-	-	-	130	To fund community safety expenditure
Sustainability	115	-	-	-	115	To support Sustainability policy option
Coroners Office	82	-	-	-	82	For additional costs including long inquests
Caretakers Lodges Repairs	80	-	-	-	80	Repairs & maintenance of caretakers' lodges
Building repairs	106	-	-	-	106	For repairs to administrative buildings
HR Training	71	-	-	-	71	Leadership development programme contract
Community Energy Eff Fund	61	-	-	-	61	To fund energy efficiency projects for dwellings
Taxi Demand Survey	74	(13)	-	-	61	Court cost increases and taxi survey
Legal Case Mgmt System	50	-	-	-	50	For costs of a legal case management system
HR Systems	45	-	-	-	45	For developing HR systems
HR Occ Health New Deal	37	-	-	-	37	For implementing/developing service provision
Land Charges	35	-	-	-	35	For potential liabilities
Managed Property Repair Fund	25	-	-	-	25	For repairs on managed properties
Allotments Officer	23	(10)	-	-	13	Balance from 2 year Policy Option
Dog Fouling	12	(2)	-	-	10	Completion of policy option
Dog Wardens Bequests	2	-	-	-	2	Private bequests for improvements to services
EVR Costs	111	(111)	-	-	-	For departmental pension strain costs.
Public Conveniences	30	(30)	-	-	-	Used to develop/maintain facilities
Chief Exec Community Fund	26	(26)	-	-	-	For contributions for community schemes
<b>TOTAL</b>	<b>9,199</b>	<b>(192)</b>	-	-	<b>9,007</b>	

### Regeneration, Hsg & Planning

Regen Wind Up / Clawback	388	-	-	(388)	-	Potential grant clawback scheme liabilities
West Wirral Schemes	332	-	-	-	332	Allocated to West Wirral improvements
LAA Reward Grant - Revenue	331	(331)	-	-	-	Funds held for partner projects
PR / Marketing	70	(70)	-	-	-	For Tourism Marketing support
Corporate PR Tourism Support	40	(40)	-	-	-	For meeting tourism/PR sponsorship
Investment Strategy	133	(133)	-	-	-	Preparing/implementing investment strategy
Seaside Town Strategy	200	(200)	-	-	-	For participatory budgeting
Business Support	38	(38)	-	-	-	Marketing strategy for Invest Wirral
Corporate Policy Support	100	(100)	-	-	-	For part funding of fixed term posts
MIS Termination Costs	500	-	-	-	500	Potential costs of contract termination
Investment Marketing	70	(70)	-	-	-	Investment marketing campaign and website
Wirral MCO Strategic Leadership	30	(30)	-	-	-	Support for specific post
Group Repair	992	(992)	-	-	-	To support renovation schemes

Home Improvement Agency	566	(566)	-	-	-	To maintain service with grant reductions
Housing Initiatives	513	(195)	-	(318)	-	Support various initiatives
Homeless Prevention	276	(276)	-	-	-	To provide assistance to householders
Tenancy Deposits	43	-	-	-	43	Guarantee tenancy deposits- private landlords
Supporting People	1,551	-	-	(350)	1,201	To fund the Supporting People Programme
Cosy Homes Initiative	531	(531)	-	-	-	To support cosy homes initiative
Planning Compensation	95	-	-	-	95	Compensation in respect of planning decisions
WNF Balance	10,302	(7,000)	-	(3,302)	-	For NGA scheme and programme with balance released
Local Develop FWork PDG	157	(157)	-	-	-	Republishing costs of Core Strategy
	<b>17,258</b>	<b>(10,719)</b>	-	<b>(4,368)</b>	<b>2,171</b>	

### Technical Services

PCT - Physical Activities Grant	300	-	-	-	300	From Wirral PCT to fund activities over 3 years
Heritage Fund	420	(135)	-	-	285	For support / preservation of Wirral heritage
Open Golf Infrastructure	185	-	-	-	185	Fund towards next Open and Womens events
Sports Centre Contingency	300	-	-	(200)	100	For pay review/released on assumption JE costs fully funded
Section 106 Agreements	243	-	-	-	243	Monies relating to Section 106 agreements
Asset Management Database	100	-	-	-	100	Asset Management Software - match funding
New Opportunities Fund	91	-	-	-	91	Development of play areas and open space
Insurance Cont - Highway Safety	55	(55)	-	-	-	To reduce liability claims used in 2011/12 year
Play Area Reserve	48	-	-	-	48	To support provision of play areas
Rangers Activities	34	-	-	-	34	To fund a post of ranger
Wheelie Bin Replacement	32	-	-	-	32	To replace bins through life of waste contract
Art Fund	30	-	-	-	30	For purchase of exhibits at the Gallery
Golf Development	10	-	-	-	10	To part fund a post
PPM Reserve	11	(11)	-	-	-	Repairs used in year
The Oval Repairs Grant	50	(50)	-	-	-	Repairs to the Oval completed in 2011/12
Silver Sports Activity Grant	62	(62)	-	-	-	For sports centre activities for Elderly People
Leisure Review	3	(3)	-	-	-	To fund residual costs of Leisure Review
Energy Investment	310	(210)	-	(100)	-	To improve the efficiency of street lighting
IT Upgrade	60	(60)	-	-	-	To fund IT Initiatives - replacement of mobile hardware
Disabled Tennis	2	(2)	-	-	-	Disabled tennis in 2011/12
Free Swimming Pot 3	114	(114)	-	-	-	Funding of swimming initiatives in year
	<b>2,460</b>	<b>(702)</b>	-	<b>(300)</b>	<b>1,458</b>	

### TOTAL RESERVES

<b>80,681</b>	<b>(21,382)</b>	<b>20</b>	<b>(5,081)</b>	<b>54,239</b>
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## WIRRAL COUNCIL

### CABINET

21 FEBRUARY 2012

<b>SUBJECT</b>	<b>BENEFITS BUDGET, PROVISION AND RESERVE</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR JEFF GREEN</b>
<b>KEY DECISION</b>	<b>YES</b>

#### 1.0 EXECUTIVE SUMMARY

1.1 This report presents the Benefits budget for 2012/13 and reviews the provision and the reserve.

#### 2.0 RECOMMENDATIONS

2.1 That the budget for 2012/13 be agreed.

2.2 That the saving in 2012/13 of £1.2 million from implementing the lean review be agreed.

2.3 That the release of £3 million of the Housing Benefit provision and £2 million of the Housing Benefit reserve to General Fund balances be agreed.

#### 3.0 REASON FOR RECOMMENDATIONS

3.1 Housing Benefit spend is the largest individual heading within the Council Budget. Cabinet are advised of any changes which impact upon this whilst the budgets, including sums set aside in provisions and reserves, are kept under review to ensure that sums no longer required are released to General Fund balances.

#### 4.0 BACKGROUND AND KEY ISSUES

4.1 On 16 March 2011, a report was presented to the Council Excellence Overview and Scrutiny Committee detailing the reforms to the operation of Housing Benefit and the expected impact upon Council finances. This report seeks to update Cabinet on the operation of Housing Benefits during 2011/12 and the projected activity for 2012-13.

4.2 The number of claims and payments has increased over the last three years and it is expected that this trend will continue in 2012-13. Although changes to the regulations may potentially result in fewer claims it is likely that the average amount awarded will increase and so, therefore, will the total paid for Benefits.

<b>Financial Year</b>	<b>Rent Allowances Claim Numbers</b>	<b>Rent Allowances Paid</b>	<b>Rent Allowances Average Awards</b>
2009/10	38,815	£120.4 million	£81.82 pw
2010/11	40,447	£126.1 million	£83.38 pw
2011/12	41,098	£131.5 million	£85.04 pw

- 4.3. The Department for Work and Pensions (DWP) through the Performance Development Team has assisted with a lean review of Benefits Services in the Authority. The initial presentation of recommendations was made on 25 January 2011 with implementation being achieved over the period 2011 to 2013. This resulted in a reduction in the Benefits budget of £1.2 million in 2011/12 and a similar reduction will be implemented for 2012/13.
- 4.4 Allied with the improvements to the administration of the service that impact directly upon claimants in ensuring that those eligible are in receipt of support the Council has also continued to improve the administration arrangements in respect of maximising the entitlement to DWP Subsidy. The timely and accurate processing of claims has reduced the risk of spend not meeting the strict criteria for grant support. This has produced increasing income in recent years.
- 4.5 Sums held in the form of a provision to cover long outstanding claims from the DWP and a reserve to meet supported accommodation, the impact of economic changes and for future service developments are reported in section 9.

## **5.0 RELEVANT RISKS**

- 5.1 Changes to the staffing and administration of Housing Benefits may impact upon the accurate and timely processing of benefits which could result in hardship and arrears for claimants or landlords or impact upon the grant and subsidy received by the Authority. These risks are addressed as part of regular planning for change which is a regular occurrence in respect of Housing Benefits.
- 5.2 Any change should be understood by current and potential recipients. The need for communication and publicity will be met both nationally and locally by the Government and the Authority as well as through advice and voluntary agencies.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 Welfare reforms are statutory and thus no options exist for their implementation. This report is concerned primarily with budgetary, rather than service delivery, issues.

## 7.0 CONSULTATION

7.1 Consultation in respect of Housing Benefits involves national and local government as well as landlords, voluntary and advice sectors in the area. As this report relates to financial matters no specific consultation has been undertaken.

## 8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are no implications arising directly from this report.

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

9.1 In 2011/12 Wirral is expected to pay out £163.9 million in Housing and Council Tax Benefits to over 42,000 claimants, the majority funded by DWP Subsidy. There is also a £3.2 million grant towards the costs of administration. Overall the net cost to the Council of the service is forecast to be £9.3 million.

9.2 In 2012/13 Benefit payments are currently expected to rise to £166.2 million through a combination of changes to claimants and the value of claims. It has recently been announced that the DWP Administration Grant is being reduced by £202,400 in 2012/13 (a 6.2% reduction) which is part of the ongoing reduction in Government funding.

<b>Housing Benefits</b>	<b>Base Estimate 2011/12 £</b>	<b>Current Estimate 2011/12 £</b>	<b>Base Estimate 2012/13 £</b>
<b>Administration Expenditure</b>			
Employees	3,306,900	3,296,600	3,303,800
Transport	27,400	27,400	27,000
Supplies & Services	589,300	589,300	588,600
Third Party Payments	25,000	25,000	25,000
Support Services	3,837,600	3,866,600	4,226,100
<b>Total Expenditure</b>	<b>7,786,200</b>	<b>7,805,200</b>	<b>8,170,500</b>
<b>Income</b>			
Government Grants	-3,263,700	-3,263,700	-3,061,300
<b>Net Expenditure</b>	<b>4,522,500</b>	<b>4,541,500</b>	<b>5,109,200</b>
<b>Payments Expenditure</b>			
Transfer Payments	163,900,000	163,900,000	166,200,000
<b>Income</b>			
Government Grants	-159,103,000	-159,103,000	-162,603,000
<b>Net Expenditure</b>	<b>4,797,000</b>	<b>4,797,000</b>	<b>3,597,000</b>
<b>Benefits Total</b>	<b>9,319,500</b>	<b>9,338,500</b>	<b>8,706,200</b>

9.3 The Constitution and Financial Regulations require that any provisions and reserves are established, monitored and used in accordance with statutory financial guidelines. This includes a twice yearly review to ensure relevance and adequacy but the Housing Benefit provision and reserve are reported separately due to their size and complexity.

9.4 Housing Benefit Provision	At 1 April 2011 £ million	Required £ million	Release £ million
For payment received 2001	2.1	0	2.1
For settlement of claims to 2008	0.9	0	0.9
Total	3.0	0	3.0

9.5. These outstanding issues have been agreed with the DWP who have confirmed that all amounts due have now been recovered with all recent claims agreed and resolved. It is therefore considered appropriate to return this £3 million to the General Fund balances.

9.6 Housing Benefit Reserve	At 1 April 2011 £ million	Required £ million	Release £ million
For supported accommodation	7.7	7.7	0
For settlement of claims	2.0	0	2.0
For system developments	1.4	1.4	0
For recession and bad debts	1.0	1.0	0
Total	12.1	10.1	2.0

9.7. At the start of the financial year the claim for 2010/11 remained subject to audit and agreement by the DWP. The Audit Commission has completed the audit of the claim and this has resulted in this reserve no longer being required and so it can be returned to the General Fund balances. The £1.4 million has been provided to meet the on-going development of the IT systems and the furtherance of front-of-house service developments to ensure the continuance of what is considered by the DWP to be an effective and efficient service. The economic situation increases the likelihood of a higher level of potential bad debts in recovering overpayments and therefore £1 million was set-aside for that purpose.

9.8 In 2012-13 there should be limited change to staffing requirements. However the implementation of future changes, including the localisation of Council Tax Benefit and the implementation of Universal Credit, will result in a wholesale change to the welfare system and significantly impact upon staffing at local authorities, although at present the extent of this is unknown.

9.9 There are no IT or asset implications arising from this report, although again, the welfare reform changes will have significant IT implications.

## 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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## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Council Excellence Overview and Scrutiny Committee Cabinet	16 March 2011 4 February 2010

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## WIRRAL COUNCIL

### CABINET

21 FEBRUARY 2012

<b>SUBJECT:</b>	<b>STRATEGIC CHANGE PROGRAMME</b>
<b>WARD/S AFFECTED:</b>	<i>ALL</i>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<i>COUNCILLOR JEFF GREEN</i>
<b>KEY DECISION?</b>	<b>YES</b>

#### **1.0 EXECUTIVE SUMMARY**

1.1 The purpose of this report is to update the Strategic Change Programme (SCP) for 2011/12 and to recommend a schedule of projects for the next three years.

1.2 The report also provides an outline of the major projects that the Change Team will be addressing in 2012.

#### **2.0 RECOMMENDATION**

2.1 That the revised Strategic Change Programme be agreed.

#### **3.0 REASON FOR RECOMMENDATION**

3.1 The Strategic Change Programme has been reviewed and revised.

#### **4.0 BACKGROUND AND KEY ISSUES**

4.1 Council Excellence Overview and Scrutiny Committee received the last update on the SCP on 17 November 2011. The position as regards 2011/12 and 2012/13 was set out in this update. (Appendix 1)

4.2 Chief Officers have subsequently developed a revised SCP for 2012/15. (Appendix 2)

4.3 This report outlines the actions that propose budgetary savings within the revised SCP and some of the major projects where the Change Team will be assisting delivery.

#### 4.4 Finance

- (a) Procurement: The £1.2m is the estimated procurement savings as reported to Cabinet on 2 February 2012.
- (b) Income: The £1m additional saving each year is based on income increasing year on year by 3%. In addition, income reviews are to be undertaken by each Chief Officer to identify income opportunities through benchmarking and comparison with other local authorities. The SCP projections will be updated when the impact of this exercise is reported on by Chief Officers.
- (c) Benefits Welfare Reform: The phased implementation of Universal Credit between 2013 and 2017 will have major implications for the Benefits Services provided by the Authority. The overall financial implications of these changes remains unclear but an estimate of an annual saving of £1m has been included. This is a major change project for the Authority which will be updated as information is received from the Department for Work and Pensions (DWP).
- (d) Benefits Lean Review: The £1.2m is based on the results of the Lean Review undertaken jointly with the DWP and is the final element of a total saving of £2.4m.
- (e) Printing Review: The £150,000 is based on adopting the printer strategy agreed by the Cabinet on 17 March 2011. This strategy centres on the removal of personal printers and their replacement with fewer centrally positioned high capacity printers under a single contract. This contract has been retendered and should realise £150,000 in 2012-13.
- (f) ICT Strategic Review: This project is targeted to save £1.7m over the period 2011-15. A saving of £1m was delivered in 2011-12 and the projected savings for the remainder of the project are £400,000 in 2012-13, £210,000 in 2013-14 and £90,000 in 2014-15.

- (g) Libraries and One Stop Shops Merger: The ongoing merger of the Libraries and One Stop Shops to create a unified service commenced in 2011. Savings in future years, following the delivery of savings of £1.7m in 2011-12, could be about £200,000 per year.

#### 4.5 **Technical Services**

- (a) Street Lighting: The £100,000 is based on the “Dimming Policy” being extended beyond the original trial on 900 street lights as reported to Cabinet on 3 September 2011.
- (b) Biffa Review: This contract is to be reviewed prior to any agreement on the break clause in the contract which is effective from August 2013. It is not possible to estimate the savings at this stage.

#### 4.6 **Adult Social Services**

- (a) Day Care: The £1m is based on transforming and modernising day care services. There are currently 16 day services, of which 5 are supported employment schemes. Approximately 850 people access these services. The annual running costs are £8m including recharges, £5.1m net of recharges (£1.7m) and transport costs (£1.2m). The Department is currently consulting on how to improve and develop the scope of day services and daytime provision across Wirral. It is anticipated that implementation of the transformation programme will generate efficiency savings of £1,000,000.
- (b) Prevention Services: The £0.5m is based on a combination of two actions:
- A review of all voluntary, community and faith sector contracts which is seeking to re-commission this activity at a more efficient cost. The annual cost of existing contracts with the Voluntary Sector is £2.5m.

- The Promoting Older People’s Independence Network (P.O.P.I.N.) consists of a team of ten advisors who work across Wirral and visit people aged 65 and over in their own homes. The cost of providing this service is £519,100 including recharges, £329,400 excluding recharges. The Department will consider this function alongside other similar areas of activity provided by the voluntary, community and faith sector with a view to making efficiency savings.
- (c) Commissioning: Alternative commissioning could save £1.6m as reported to Cabinet on 2 February 2012.

#### 4.7 **Law, HR and Asset Management**

- (a) Disposal of Assets: The £100,000 is the anticipated savings for the schedule of disposals for 2012/13.
- (b) Office Rationalisation: The £260,000 is based on the now completed sale of Westminster House followed by Willowtree and the Old Court House.
- (c) Facilities Management: The £0.5m is based on reductions in overtime and repair budgets combined with a re-modelling of the service involving centralisation and a reduction in staff numbers.
- (d) Transforming Business Support: The £2.3m is based on actions to implement more effective and efficient methods of working including HR Selfserve and Procure to Pay processes.
- (e) Employees Terms and Conditions: The £2.3m is based the potential savings that could result from consultation and review of such aspects as car allowances, overtime, absences and travel allowances.

#### **CHANGE TEAM ACTIVITIES FOR 2012**

- 4.8 The Team will continue facilitating, guiding and supporting departmental staff and Chief Officers as they prepare for and deliver their projects. However in certain cases the Team will take direct control of the actions and lead the

project teams. The reason for taking this direct lead is where the project has major implications for the whole Council but there is limited departmental capacity to determine and manage delivery of any changes.

- 4.9 The Change Team currently comprises six staff including a seconded Chief Accountant and the plan for 2012 focuses upon two specific actions: an end to end review of Adult Social Services; and re-starting the stalled Transforming Business Support project. These two projects are described in more detail in the following sections.

#### **ADULT SOCIAL SERVICES REVIEW**

- 4.10 The proposal is to set up a team to examine and propose changes in a nine month timeframe that improves service delivery, efficiency and asset usage whilst identifying any significant budgetary savings that may arise. The aspects that would be examined by these actions would include the following topics:

- Removing any service that is no longer required,
- Improving effectiveness of service delivery and support processes,
- Improving productivity and restructuring accordingly,
- Rationalising office space,
- Reviewing contracts for goods and services.

- 4.11 The principles adopted in approaching this project would embrace those set out in the Transforming Business Support programme. If the approach proves a success, then this will start a rolling programme of departmental reviews.

- 4.12 It is envisaged that the Review Team will comprise work stream leaders for each of the aspects being reviewed and coordinated by a programme manager reporting to the Director of Adult Social Services. The joint initial planning will start in March. The first target is to set out the reporting arrangements, terms of reference, an action plan, outcomes, milestones

dealing with the scope of work, team structures, staff secondments, work streams organisation and timescale. These details will form the framework for delivering the project and it is planned that the project delivery could start in May 2012 for completion in January 2013. The outcomes would be a series of proposals as regards improvements and efficiencies as they become apparent from the work streams.

### **TRANSFORMING BUSINESS SUPPORT (TBS)**

4.13 The efforts to date have been limited to the implementation of HR Selfserve functionality. This project is running behind schedule and is on hold pending the release of HR staff from other tasks. The first phase requires completion so that car claims, expenses, annual leave and other absences can be managed online. This will reduce administrative processes and paper from HR and across departments. The Change Team will take direct control of this project but this relies on those HR staff that are key to its delivery being released from other duties and located in the project office.

4.14 However TBS extends beyond HR Selfserve: The Change Team will be managing the following actions as part of the TBS programme. These activities impact on all departments and will be addressed sequentially by the Change Team with appropriate support from departments and IT Services. The target for 2012 will be to deal with the following:-

- Phase 1 HR Selfserve
- Asset and facilities management,
- Procurement,
- Performance Indicators and Corporate Planning System,
- Personnel files,
- Simplified and standardised HR Processes.

The details of the full range of TBS actions currently identified are summarised as follows:-

- (a) Asset and facilities management: This covers the £0.5m savings to be derived from:-
- The centralisation of the asset management teams and replacement of the current multi sets of Tribal software and other databases with a fit for purpose asset management system. This will enable the planned efficiencies to be realised. A suitable off the shelf system would cost around £50,000 and a business case shows it would recover its costs in the short term.
  - Complete the implementation of the FM project with the predicted savings.
- (b) Procurement: This would require a specific team and IT Services support for invoice scanning if that route is chosen. However, the areas of immediate concern are:-
- to make the system meet the needs and expectations of users so that the current low level of use increases to 100% with consequences for those who do not adopt the corporate approach.
  - to centralise invoice processing in a manner which improves control, and speed of processing, and reduces costs.
- (c) Performance Indicators and Corporate Planning System: This centres on replacing PIMS using the Concerto Project Management System. This would enable a corporate solution to replace the multitude of separate files and enables efficient planning and reporting processes.
- (d) Personnel files: A corporate electronic system for handling all personnel data rather than having a paper based system or one where papers are scanned then archived.
- (e) Simplified and standardised HR Processes: HR and similar processes are validated as to their affect on efficiency such that only those that are fundamental to the service or welfare of employees are enacted. The

suspended HR Selfserve offers an opportunity to validate each process. Flexi time and its recording is one aspect that HR Selfserve ignores and yet may improve efficiencies.

- (f) Office systems: Internal communications, WEB online forms, document management, case management work flows, mail, couriers, e-signatures, paper based archives, electronic archives and scanning: This focuses on:-
- The removal of paper based processes and storage leading to improved efficiencies, ease of flexible working and use of office space. The drivers include preventing the misuse of the paper archive, controlling its growth and supporting office re-location and rationalisation.
  - Improved communications using email to all employees with a corresponding removal of paper being circulated.
  - Appropriate levels of electronic processing and centralised processing of both inward and outward mail. This would embrace outward mail production and use of templated WEB online forms by staff. The drivers are efficiency and improved services.
- (g) Petty cash and P-Cards: A viable area of investigation with evidence held by the Change Team indicating that efficiencies and improvements are possible.
- (h) Internal Help Desk: Centralised functions to cover HR, ICT, Asset Management and other internal services. The drivers are the potential for improvements and efficiencies.
- (i) Standardised desktop: A longer term move towards standardised office spaces, seating, telephone, printing, IT facilities and storage. The potential benefits would be the facilitation of agile working contributing to office rationalisation.

- (j) Performance Management Processes: A corporate system for handling all performance management procedures and data rather than having a paper based system.
- (k) Business intelligence for managers and Business intelligence for service providers: The aspiration to provide all employees with the information they need to do their job in an accessible suitable form. This can mean budget holders with Selfserve financial reports through to a Helpdesk having improved software to manage calls.

## **5.0 RELEVANT RISKS**

- 5.1 The main risk is the non-delivery of benefits, particularly financial, of the Strategic Change Programme.
- 5.2 Independent assurance on project delivery is provided by Internal Audit. Risk registers are maintained by project managers. Any risks which managers can no longer control are escalated as issues.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 Not applicable

## **7.0 CONSULTATION**

- 7.1 Consultation will be undertaken by Chief Officers for those projects for which it is required.

## **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 8.1 Opportunities to involve voluntary, community and faith organisations will be considered within individual projects.

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

- 9.1 The revised change programme (Appendix 2) indicates potential savings for 2012-13 of £7.8m, for 2013-14 of £5.4m and for 2014-15 of £4.3m.

9.2 The resource requirements of the Strategic Change Programme are currently being met through existing staff resources. Individual projects may impact on staffing, assets and IT; any issues will be raised at Departmental Management Teams. If these are not resolved they will be escalated to the Executive Team for resolution.

**10.0 LEGAL IMPLICATIONS**

10.1 Not applicable

**11.0 EQUALITIES IMPLICATIONS**

11.1 Not applicable

11.2 Equality Impact Assessment (EIA)

a. Is an EIA required? No

b. If 'yes', has one been completed? No

**12.0 CARBON REDUCTION IMPLICATIONS**

12.1 Not applicable

**13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1 Not applicable

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**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Cabinet	23 April 2009

Cabinet	15 October 2009
Cabinet	14 January 2010
Cabinet	24 June 2010
Cabinet	22 July 2010
Council Excellence Overview & Scrutiny	28 October 2010
Council Excellence Overview & Scrutiny	31 January 2011
Cabinet	3 February 2011
Council Excellence Overview & Scrutiny	15 September 2011
Council Excellence Overview & Scrutiny	17 November 2011

APPENDIX 1: Strategic Change Programme presented to Council Excellence Overview and Scrutiny Committee 17 November 2011.

Project	Project Manager	2011/12 £000		2012/13 £000
		SCP Savings Agreed	Current forecast 17/11/11	
Procurement	Ray Williams	2000	2000	2000
Market Management	Steve Rowley	5370	3740	847
Learning Disabilities	Jayne Marshall	0	0	0
Re-provision of in-house Care Services	Christine Beyga	1476	1476	0
Revenues & Benefits	Malcolm Flanagan	1200	1200	1200
ICT Strategic Review	Geoff Paterson	400	400	400
Looked After Children	Julia Hassall	0	0	70
Disposal of Assets	Ian Brand	481	212	0
Office Rationalisation	Ian Brand	368	110	259
Parks & Countryside Services	Mark Smith	200	200	0
Street Lighting	Kevin Ellis	50	50	100
Traffic Management	Mark Smith	150	150	0
Highways Asset Management	Shaun Brady	100	100	0
Energy Efficiency	Ian Brand	80	30	0
Printing review	Geoff Paterson	250	250	250
Contract Review	Ray Williams	500	500	0
Review of Employee Pay Costs	Chris Hyams	0	0	0
Facilities Management	Ian Brand	0	0	500
Transforming Business Support	Chris Hyams	0	0	0
Procurement: Electronic Payments	Ray Williams	200	200	0
<b>Total</b>		12825	10618	5556

APPENDIX 2: Revised Strategic Change Programme 2012/15

Action	Responsible Officer	Potential Revenue Savings £000			
		2012/13	2013/14	2014/15	Total
<b>FINANCE</b>					
Procurement	Ray Williams	1200	-	-	<b>1200</b>
Income - 3% increase	Tom Sault	1000	1000	1000	<b>3000</b>
Benefits Welfare Reform	Malcolm Flanagan	-	1000	1000	<b>2000</b>
Benefits Lean Review	Malcolm Flanagan	1200	-	-	<b>1200</b>
Libraries and OSS Merger	Malcolm Flanagan	200	200	200	<b>600</b>
Printing Review	Geoff Paterson	150	-	-	<b>150</b>
ICT Strategic Review	Geoff Paterson	400	210	90	<b>700</b>
<b>TECHNICAL SERVICES</b>					
Street Lighting	Kevin Ellis	100	-	-	<b>100</b>
Biffa Review	David Green	-	-	-	-
<b>ADULT SOCIAL SERVICES</b>					
Day Care	Christine Beyga	-	1000	-	<b>1000</b>
Prevention Services	Graham Hodkinson	500	-	-	<b>500</b>
Departmental Review	Graham Hodkinson	-	-	-	-
Commissioning	Steve Rowley	1600	-	-	<b>1600</b>
<b>LAW, HR AND ASSET MANAGEMENT</b>					
Disposal of Assets	Ian Brand	100	-	-	<b>100</b>
Office Rationalisation	Ian Brand	260	-	-	<b>260</b>
Facilities Management	Ian Brand	500	-	-	<b>500</b>
Transforming Business Support	Chris Hyams	300	1000	1000	<b>2300</b>
Employees' Terms and Conditions	Chris Hyams	300	1000	1000	<b>2300</b>
<b>Totals</b>		<b>7810</b>	<b>5410</b>	<b>4290</b>	<b>17510</b>



## WIRRAL COUNCIL

### CABINET

21 FEBRUARY 2012

<b>SUBJECT</b>	<b>TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2012-15</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR JEFF GREEN</b>
<b>KEY DECISION</b>	<b>YES</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report sets out the Treasury Management and Investment Strategy for 2012-2015 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 2012-2015.
- 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 E, 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 DCLG Investment Guidance.
- 3.2 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.

- 3.3 Following staffing changes, Members are asked to approve a revised list of Officers to approve treasury management activities.

#### **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 endorses this definition and 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 2012-15 - 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 This Strategy has been written in consultation with the external treasury management advisors, Arlingclose. There has been no further consultation undertaken or proposed for this Strategy. 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 directly 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 directly out of this report.

## **11.0 EQUALITIES IMPLICATIONS**

11.1 There are none arising directly 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 directly out of this report.

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1 There are none arising directly out of this report.

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## **APPENDICES**

Treasury Management and Investment Strategic Statement 2012-2015

## **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 (2011), CIPFA 2011

Prudential Code for Capital Finance in Local Authorities (2011 Edition), CIPFA 2011

## SUBJECT HISTORY

<b>Council Meeting</b>	<b>Date</b>
Cabinet - Treasury Management and Investment Strategy 2011 to 2014	21 February 2011
Cabinet - Treasury Management Annual Report 2010/11	23 June 2011
Cabinet - Treasury Management Performance Monitoring	21 July 2011
Cabinet - Treasury Management Performance Monitoring	3 November 2012
Cabinet - Treasury Management Performance Monitoring	2 February 2012



Wirral Council

Treasury Management and  
Investment Strategy 2012-2015

## **CONTENTS**

1. Background
2. Capital Financing Requirement
3. Borrowing Strategy
4. Annual Investment Strategy
5. Interest Rate Forecast
6. Policy on Delegation
7. Balanced Budget Requirement
8. 2012/13 Minimum Revenue Provision Statement
9. Performance Monitoring and Reporting
10. Treasury Advisors

## **APPENDICES**

- A. Treasury Management Policy Statement
- B. Existing Investment and Debt Portfolio Position
- C. Prudential Indicators 2012/13 – 2014/15
- D. Arlingclose's Economic and Interest Rate Outlook
- E. Authorised Signatories

## 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 Annual Investment Strategy (AIS) that is a requirement of the CLG's Investment Guidance.

1.2 Wirral Council defines its treasury management activities 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 will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement (see Appendix A), stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.4 Treasury Management is about the management of risk. The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk.

1.5 As per the requirements of the Prudential Code, the Authority has adopted the CIPFA Treasury Management. All treasury activity will comply with relevant statute, guidance and accounting standards.

1.6 The purpose of this Treasury Management Strategy Statement is to approve:

- Treasury Management Strategy for 2012/13; including the adoption of the revised CIPFA Treasury Management Code of Practice.
- Annual Investment Strategy for 2012/13
- Minimum Revenue Provision (MRP) Statement
- Treasury Management Policy Statement
- Prudential Indicators for 2012/13, 2013/14 and 2014/15
- Authorised Signatories for Treasury Management Activity

## 2. CAPITAL FINANCING REQUIREMENT

- 2.1 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with Usable Reserves are the core drivers of treasury management activity.
- 2.2 The Authority's current level of debt and investments are set out in Appendix B.
- 2.3 The Authority is able to borrow funds in excess of the current level of its CFR up to the projected level in 2014/15. The Authority is likely to only borrow in advance of need if it felt the benefits of borrowing at interest rates now compared to where they are expected to be in the future, outweighs the current cost and risks associated with investing the proceeds until the borrowing was actually required.
- 2.4 The forecast movement in the CFR in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years.

**Table 1: Balance Sheet Summary Analysis**

	<b>31-Mar-12 Estimate £m</b>	<b>31-Mar-13 Estimate £m</b>	<b>31-Mar-14 Estimate £m</b>	<b>31-Mar-15 Estimate £m</b>
Capital Financing Requirement (CFR)	392	384	383	374
Less: Existing Profile of Borrowing and Other Long Term Liabilities	327	307	274	258
<b>Cumulative Maximum External Borrowing Requirement</b>	<b>65</b>	<b>77</b>	<b>109</b>	<b>116</b>
Usable Reserves	113	89	86	81
<b>Cumulative Net Borrowing Requirement / (Investments)</b>	<b>(48)</b>	<b>(12)</b>	<b>23</b>	<b>35</b>

- 2.5 Table 1 shows that the capital expenditure plans of the Authority over the next three years cannot be funded entirely from other sources and external borrowing would eventually be required.

### **3. BORROWING STRATEGY**

- 3.1 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. The interest rate forecast, provided in Appendix C, indicates that an acute difference between short and longer term interest rates is expected to continue for the foreseeable future. This difference creates a “cost of carry” for any new longer term borrowing. Cost of carry is the difference between what is paid on the borrowing and the investment income that can be earned while the borrowed monies are temporarily held as investments until needed to fund capital expenditure. Whilst the cost of carry can be assumed to be a reasonably short term issue, since borrowing is often for longer dated periods (anything up to 50 years), it cannot be ignored against a backdrop of uncertainty and affordability constraints in the Authority’s wider financial position.
- 3.2 As indicated in Table 1, the Authority has a gross borrowing requirement, with an underlying potential to borrow, from internal or external sources, of up to £77m in 2012/13. The Authority will adopt a flexible approach to this borrowing in consultation with its treasury management advisers. The following issues will be considered prior to undertaking any external borrowing:
- Affordability;
  - Maturity profile of existing debt;
  - Interest rate and refinancing risk;
  - The borrowing source.

#### **Borrowing source**

- 3.3 In conjunction with advice from Arlingclose, the Authority will keep under review the following borrowing sources:
- PWLB
  - Local authorities
  - Commercial banks
  - European Investment Bank
  - Money markets
  - Capital market (stock issues, commercial papers and bills)
  - Structured finance
  - Leasing
- 3.4 At present, the PWLB remains the Council’s preferred source of borrowing given the transparency and control that its facilities continue to provide

### **Type of borrowing**

- 3.5 As the cost of carry remains high there is a greater reliance upon shorter dated and variable rate borrowing. This type of borrowing injects volatility into the debt portfolio in terms of interest rate risk but is counterbalanced by its affordability and alignment of borrowing costs with investment returns. The Authority's exposure to shorter dated and variable rate borrowing is kept under regular review by reference to the spread between variable rate and longer term borrowing costs. A narrowing in the spread by 0.5% will result in an immediate review of the borrowing strategy to determine whether the exposure to short dated and variable rates is maintained or altered.

### **LOBOs**

- 3.6 The Authority has £174m of exposure to LOBO loans (Lender's Option Borrower's Option) of which £169m of these can be called within 2012/13. A LOBO is called when the Lender exercises its rights to amend the interest rate on the loan at which point the Borrower can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Authority since the decision to call a LOBO is entirely at the lender's discretion.
- 3.7 Any LOBOs called will be discussed with Arlingclose prior to acceptance of any revised terms. The default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted.

### **Debt Rescheduling**

- 3.8 The Authority's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.
- 3.9 The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt restructuring although occasional opportunities arise. The rationale for undertaking debt rescheduling would be one or more of the following:
- Savings in risk adjusted interest costs
  - Rebalancing the interest rate structure of the debt portfolio
  - Changing the maturity profile of the debt portfolio
- 3.10 The affordability, prudence and sustainability of borrowing plans will be regulated by a range of Prudential Indicators, which can be found in Appendix C.
- 3.11 Borrowing and rescheduling activity will be reported to Cabinet in the Annual Treasury Management Report and the regular treasury management reports.

#### 4. ANNUAL INVESTMENT STRATEGY

- 4.1 In accordance with Investment Guidance issued by the CLG and best practice this Authority's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yields earned on investments are important but are secondary considerations.
- 4.2 Credit markets remain volatile as a result of the level and cost of debt within financial markets. In some instance, Greece and Italy being the most notable examples, the extent and implications of the cumulative debt has lead to a sovereign debt crisis and a banking crisis with the outcome still largely unknown. It is against this backdrop of uncertainty that the Authority's investment strategy is framed.
- 4.3 Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. Specified investments are sterling denominated investments with a maximum maturity of one year. They would also not be deemed capital expenditure investments under Statute. Non-specified investments are effectively, everything else. Both types of investment would have to meet the high credit quality as determined by the Authority.
- 4.4 The types of investments that will be used by the Authority and whether they are specified or non-specified are as follows:

**Table 2: Specified and Non Specified Investments**

Investments	Specified	Non-Specified
Term deposits with banks & building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Certificates of deposit with banks & building societies	✓	✓
Gilts	✓	✓
Treasury Bills (T-Bills)	✓	✗
Bonds issued by Multilateral Development Banks	✓	✓
Local Authority Bills	✓	✗
Commercial Paper	✓	✗
Corporate Bonds	✓	✓
AAA rated Money Market Funds	✓	✗
Other Money Market and Collective Investment Schemes	✓	✓
Debt Management Account Deposit Facility	✓	✗

- 4.5 A number of changes have been implemented to investment strategy for 2012/13 in response to changes in the CLG Guidance and evolving conditions in financial markets. This has resulted in the inclusion of corporate bonds which the CLG have indicated will become eligible non-capital investment from 1 April 2012. However, the principal amendments are in relation to the individual institutions with which the Authority is prepared to lend its funds.
- 4.6 The Authority and its advisors, Arlingclose Ltd, select countries and financial institutions after analysis and ongoing monitoring of:
- Published credit ratings for financial institutions - **minimum long term rating of A- or equivalent for counterparties; AA+ or equivalent for non-UK sovereigns**. This is lower than the A+ minimum adopted in 2011/12 and is in response to downgrades in credit ratings below A+ of many institutions considered to be systemically important to the financial system. Counterparties with a credit rating of A- are defined as having high credit quality, low credit risk and a strong ability to repay.
  - Credit Default Swaps (where quoted)
  - Economic fundamentals (for example Net Debt as a percentage of GDP)
  - Sovereign support mechanisms
  - Share Prices
  - Corporate developments, news, articles, markets sentiment and momentum
  - Subjective overlay – or, put more simply, common sense.
- 4.7 Any institution can be suspended or removed should any of the factors identified above give rise to concern.
- 4.8 It remains the Authority's policy to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. What this means is that an institution that meets criteria may be suspended, but institutions not meeting criteria will not be added.
- 4.9 The Authority currently banks with Natwest. During 2012 the Authority will be undertaking a tender exercise for its banking services which could result in a change of bank. At present Natwest meets the proposed minimum credit criteria of A-. If the credit rating of Natwest or any other bank supplying the main banking services did fall below the Authority's minimum credit criteria, the bank would continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.
- 4.10 With short term interest rates forecast to remain low, an investment strategy would typically propose a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of risk.

- 4.11 In order to diversify an investment portfolio largely invested in cash, investments will be placed with a range of approved investment counterparties to achieve a diversified portfolio of prudent counterparties, investment periods and rates of return. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved.

### **Money Market Funds**

- 4.12 Money market funds (MMFs) are pooled funds that invest in short-term debt instruments. They provide the benefits of pooled investment, as investors can participate in a more diverse and high quality portfolio than they otherwise could. The principal objective of a MMF is the preservation of capital, very high liquidity and competitive returns commensurate with security and liquidity. MMFs will be utilised but good treasury management practice prevails and whilst MMFs provide good diversification the Authority will also seek to diversify any exposure by utilising more than one MMF. The Authority will also seek to restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF. In the case of Government Liquidity Funds, the Council's exposure to a Fund will not exceed 2%.

### **Pooled Funds**

- 4.13 The Authority has evaluated the use of Pooled Funds and determined the appropriateness of their use within the investment portfolio. Pooled funds enable the Authority 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 Ltd. The Authority's current investments in pooled funds (other than MMFs) are with the Payden and Rygel Sterling Reserve Fund: their performance and continued suitability in meeting the Authority's investment objectives are regularly monitored.

### **Derivative Instruments**

- 4.15 Currently, Local Authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Act is not sufficiently explicit. Consequently, the Authority does not intend to use derivatives.
- 4.16 Should this position change, the Council may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require full Council approval.

## **Debt Management Office**

- 4.17 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.)
- 4.18 The Director of Finance and Deputy Chief Executive, 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.

## **5. INTEREST RATE FORECAST**

- 5.1 The economic interest rate forecast provided by the Authority's treasury management advisor is attached at Appendix D. The Authority will reappraise its strategies from time to time in response to evolving economic, political and financial events.

## **6. POLICY ON DELEGATION**

- 6.1 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance who will act in accordance with the Council's Strategy Statement, Treasury Management Practices (TMPs) and CIPFA's Standard of Professional Practice on Treasury Management.
- 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 E.
- 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.

6.7 The Council nominates the Council Excellence Overview and Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

## **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. 2012/13 MINIMUM REVENUE POSITION (MRP) 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 2012/13: 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 2012/13 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 Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs.

9.2 To ensure adherence to this, the Director of Finance will report to Cabinet on treasury management policies, practices and activities activity / performance as follows :

- Quarterly against the strategy approved for the year.
- 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.

## **10. TREASURY ADVISORS**

10.1 The Authority continues to use Arlingclose Ltd. for external, independent treasury management advice. The Treasury Management Team within Accountancy monitor the quality of the service provided.

**TREASURY MANAGEMENT POLICY STATEMENT**

**1. Introduction and background**

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.3 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance who will act in accordance with the Council's Strategy Statement, Treasury Management Practices (TMPs) and CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates the Council Excellence Overview and Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

**2. Policies and objectives of treasury management activities**

2.1 The Council defines its treasury management activities as:

“The management of the Council'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.”

- 2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- 2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.
- 2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.
- 2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

## EXISTING INVESTMENT &amp; DEBT PORTFOLIO POSITION

	<b>Current Portfolio</b> as at 31 Dec 11 <b>£m</b>
<b>External Borrowing:</b>	
Fixed Rate – PWLB	97
Fixed Rate – Market	174
Variable Rate – PWLB	0
Variable Rate – Market	0
<b>Total External Borrowing</b>	<b>271</b>
<b>Other long-term liabilities:</b>	
PFI	62
Finance Leases	3
<b>Total Other Long-Term Liabilities</b>	<b>65</b>
<b>Total External Debt</b>	<b>336</b>
<b>Investments:</b>	
<i>Managed in-house</i>	
Deposits with Banks and Building Societies	52
Deposits with Money Market Funds	40
Deposits with other Public Sector Bodies	34
Deposits in Supranational Bonds and Gilts	8
<i>Managed externally</i>	
Payden Sterling Reserve	1
<b>Total Investments</b>	<b>135</b>
<b>Net Borrowing Position</b>	<b>201</b>

## PRUDENTIAL INDICATORS 2012/13 – 2014/15

1. **Background**

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "Prudential Code") when setting and reviewing their Prudential Indicators. In 2011 the CIPFA Prudential Code was revised and the changes have been incorporated into the Prudential Indicators below.

2. **Estimates of Capital Expenditure**

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.

**Table A:**

	2011/12 Approved £000	2011/12 Revised £000	2012/13 Estimate £000	2013/14 Estimate £000	2014/15 Estimate £000
Capital Expenditure	49,259	73,696	33,737	29,109	12,825

Capital expenditure is expected to be financed and funded as follows:

Capital Financing	2011/12 Approved £000	2011/12 Revised £000	2012/13 Estimate £000	2013/14 Estimate £000	2014/15 Estimate £000
Supported Borrowing	483	3,481	0	0	0
Unsupported Borrowing	15,422	28,496	9,135	16,610	3,305
Capital Receipts	3,000	3,000	3,000	3,000	3,000
Capital Grants	30,054	36,325	21,302	9,199	6,520
Revenue Contribution	300	2,394	300	300	0
<b>Total Financing and Funding</b>	<b>49,259</b>	<b>73,696</b>	<b>33,737</b>	<b>29,109</b>	<b>12,825</b>

3. **Incremental Impact of Capital Investment Decisions:**

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.

**Table B:**

Incremental Impact of Capital Investment Decisions	2011/12 Approved £	2012/13 Estimate £	2013/14 Estimate £	2014/15 Estimate £
Increase in Band D Council Tax	13.54	5.30	11.93	5.37

#### 4. Ratio of Financing Costs to Net Revenue Stream

The estimate for interest payment in 2012/13 is £14m and for interest receipts is £1m. 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.

**Table C:**

<b>Ratio of Finance Costs to net Revenue Stream</b>	<b>2011/12 Approved %</b>	<b>2011/12 Revised %</b>	<b>2012/13 Estimate %</b>	<b>2013/14 Estimate %</b>	<b>2014/15 Estimate %</b>
Ratio	9.31	8.64	9.34	9.57	10.48

#### 5. Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing.

**Table D:**

<b>Capital Financing Requirement</b>	<b>2011/12 Approved £m</b>	<b>2011/12 Revised £m</b>	<b>2012/13 Estimate £m</b>	<b>2013/14 Estimate £m</b>	<b>2014/15 Estimate £m</b>
CFR	394	392	384	383	374

#### 6. Net Debt and the Capital Financing Requirement

As part of the revision to the Prudential Code this indicator was changed from comparing net borrowing to comparing net debt. The reason behind this was a technical one. The recent move to IFRS meant that many authorities now had PFI schemes and finance leases on their balance which were then included in the CFR. By comparing this to net borrowing, which did not include the liabilities in relation to such schemes, meant that the comparison was not on a like for like basis.

Hence, the opportunity was taken to amend the indicator to compare net debt rather than net borrowing. This means that the wider definition of debt, which includes other long term liabilities, such as those relating to PFI and finance leases, enables a more like for like comparison to CFR.

Its purpose is to ensure that over the medium term, net debt will only be for a capital purpose. In order to ensure this the Authority should ensure that the net external debt does not, except in the short term exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and the next two financial years.

The Authority had no difficulty meeting this requirement in 2011/12, nor does the Director of Finance and Deputy Chief Executive envisage any difficulties meeting it in future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

**7. Gross Debt and the Capital Financing Requirement**

CIPFA is currently seeking views on proposed changes to the net debt and capital financing requirement prudential indicator. A change to the indicator to compare the gross debt position rather than the net debt position may better fulfil the indicators purpose.

The Authority would have had no difficulty in meeting this additional proposed indicator. Nor would there be any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

**8. Actual External Debt**

The Council's balance of Actual External Debt (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities) as at 31 March 2011 was **£339m**. A breakdown of this figure is provided in Table E below. This Prudential Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

**Table E:**

<b>Actual External Debt as at 31 March 2011</b>	<b>2011/12</b>
	<b>£m</b>
Borrowing	274
Other Long Term Liabilities	65
<b>Total</b>	<b>339</b>

**9. Gross and Net Debt**

The purpose of this treasury indicator is to highlight a situation where the Council is planning to borrow in advance of need. CIPFA are again currently considering if this indicator is the most effective way of highlighting borrowing in advance of need. In the interim, an upper limit, as an absolute amount, has been set for net debt based upon the Authority's CFR.

**Table F:**

<b>Gross and Net Debt</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>	<b>2014/15 Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Upper Limit for Net Debt	384	383	374

**10. The Authorised Limit**

The Authorised Limit sets the maximum level of external debt on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external debt items on the Balance Sheet and is the statutory limit determine under Section 3 (1) of the Local Government Act 2003.

**Table G:**

<b>Authorised Limit for External Debt</b>	<b>2011/12 Approved £m</b>	<b>2011/12 Revised £m</b>	<b>2012/13 Estimate £m</b>	<b>2013/14 Estimate £m</b>	<b>2014/15 Estimate £m</b>
Borrowing	489	405	397	389	381
Other Long-term Liabilities	8	85	85	85	85
<b>Total</b>	<b>497</b>	<b>490</b>	<b>482</b>	<b>474</b>	<b>466</b>

**11. The Operational Boundary**

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.

**Table H:**

<b>Operational Boundary for External Debt</b>	<b>2011/12 Approved £m</b>	<b>2011/12 Revised £m</b>	<b>2012/13 Estimate £m</b>	<b>2013/14 Estimate £m</b>	<b>2014/15 Estimate £m</b>
Borrowing	479	395	387	379	371
Other Long-term Liability	3	80	80	80	80
<b>Total</b>	<b>482</b>	<b>475</b>	<b>467</b>	<b>459</b>	<b>451</b>

The Director of Finance and Deputy Chief Executive 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.

- 12. Upper Limits for Fixed Interest Rate Exposure & Variable Rate Exposure**  
 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.

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.

**Table I:**

	<b>2011/12 Approved %</b>	<b>2011/12 Revised %</b>	<b>2012/13 Estimate %</b>	<b>2013/14 Estimate %</b>	<b>2014/15 Estimate %</b>
<b>Upper Limit for Fixed Interest Rate Exposure</b>					
Borrowings	100	100	100	100	100
Investments	100	100	100	100	100
<b>Net</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
<b>Upper Limit for Variable Interest Rate Exposure</b>					
Borrowings	100	100	100	100	100
Investments	100	100	100	100	100
<b>Net</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>

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.

- 13. Maturity Structure of Fixed Rate Borrowing**  
 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.

**Table J:**

<b>Maturity structure of fixed rate borrowing</b>	<b>Lower Limit 2012/13 %</b>	<b>Upper Limit 2012/13 %</b>
Under 12 Months	0	80
12 months and within 24 months	0	50
24 months and within 5 years	0	50
5 years and within 10 years	0	50
10 year and above	0	100

**14. Upper Limit for Total Principal Sums Invested over 364 Days**

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.

**Table K:**

	<b>2011/12 Approved £m</b>	<b>2011/12 Revised £m</b>	<b>2012/13 Estimate £m</b>	<b>2013/14 Estimate £m</b>	<b>2014/15 Estimate £m</b>
<b>Upper Limit for total principal sums invested over 364 days</b>	30	30	30	30	30

**15. Credit Risk**

The Authority considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk. The Authority also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP;
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

**15. Adoption of the CIPFA Treasury Management Code**

This indicator demonstrates that the Council has adopted the principles of best practice.

The Council previously approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 1 March 2010. The Council is now asked to adopt the revised CIPFA Treasury Management Code of Practice.

## ARLINCLOSE'S ECONOMIC AND INTEREST RATE OUTLOOK

	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
<b>Official Bank Rate</b>													
Upside risk					0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk													
<b>3-month LIBID</b>													
Upside 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
Central case	1.00	1.00	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
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
<b>1-yr LIBID</b>													
Upside risk	0.50	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	1.75	1.75	1.75	1.75	1.80	1.85	1.95	2.00	2.10	2.20	2.30	2.40	2.40
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
<b>5-yr gilt</b>													
Upside risk	0.50	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	1.30	1.35	1.40	1.50	1.60	1.70	1.80	2.00	2.10	2.30	2.40	2.50	2.50
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
<b>10-yr gilt</b>													
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	2.30	2.40	2.45	2.50	2.55	2.60	2.70	2.75	2.80	2.85	2.90	3.00	3.00
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
<b>20-yr gilt</b>													
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.05	3.05	3.10	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.60	3.75	3.75
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
<b>50-yr gilt</b>													
Upside risk	0.50	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	3.40	3.50	3.60	3.70	3.80	3.90	4.00	4.00	4.00	4.10	4.20	4.25	4.25
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 UK's status as a safe haven remains, keeping Gilt yields suppressed.
- Conventional monetary policy has become largely redundant; the Bank of England and the US Federal Reserve have signalled their respective official interest rates will be on hold through to the end of 2012. We think that it could be 2016 before official interest rates rise.
- The Bank of England's Monetary Policy Committee has returned to unconventional monetary policy and embarked on a further round of Quantitative Easing. There will be more to come.

Underlying Assumptions:

- Stress in financial markets continued to build. Rates within Interbank markets (where banks fund the majority of their day to day operations) continue to climb. This dynamic was a feature of the banking crisis that occurred in 2008 and whilst the authorities have flooded the markets with liquidity still provides a key barometer of rising risk within markets.
- The MPC's decision to embark on a further £75 billion of QE – which the Minutes showed was unanimously supported – is likely to be expanded in the coming months as some members of the MPC had voted for £100bn of QE.

- Inflation fell back to 4.2% from what is considered to be its peak of 5.2% reached in October. The Bank of England expects domestic inflation to subside markedly in 2012 as the twin effects of the VAT increase and surge in oil prices fall out of the twelve month series.
- Economic growth meanwhile remains largely illusive not helped by the considerable uncertainty and expansion of risks presented by the crisis in the Eurozone. Even if a credible and effective policy is implemented, the scale of the problems means that there is likely to be a prolonged period of subdued growth within the euro area. A failure to meet the challenges would almost certainly have significant implications for the global economy.
- Recent data and surveys suggest that the UK economy has lost the admittedly fragile momentum since the summer. Business and consumer surveys point to continued weakness in coming months and the situation in the euro area is likely to further undermine confidence and lead to tighter credit conditions for households and firms.
- Against this uncertain backdrop the ability of the economy (government, companies and individual consumers) to accommodate an increase in the cost of money through higher interest rates – in the absence of a deterioration in the high credit standing that the UK enjoys – remains unlikely. In fact, we believe that it is highly unlikely.

**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 IT Services – Geoffrey W. Paterson

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

Head of Financial Services – Thomas W. Sault

Chief Accountant – Peter J. Molyneux

Chief Accountant – Jenny Spick

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METROPOLITAN BOROUGH OF WIRRAL

**CABINET – 21 FEBRUARY 2012**

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## **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

10 February 2012

## **COUNCIL – 1 March 2012**

### **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 20 February that require approval by the Council.

Minutes formally seconded

#### **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 Monday 27 February**.

The Cabinet's Budget proposals are formally moved.

Formally seconded

Any amendments to the Cabinet's Budget recommendations are formally moved.

Each amendment is formally seconded.

### **Mayor calls speakers:**

The Leader of the Council 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).

The Leader of the Opposition, speaking to his Group's 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:** The Portfolio Holder for Children's Services will be allocated 5 minutes by virtue of speaking on the Schools' Budget element.)

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

The Secunder of the Cabinet's budget (7 minutes)

The Secunder of the Opposition's 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 Opposition'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 7 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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## WIRRAL COUNCIL

### CABINET

21 FEBRUARY 2012

<b>SUBJECT:</b>	<b>CARBON BUDGET 2012-13</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF LAW, H.R. &amp; ASSET MANAGEMENT</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>ENVIRONMENT</b>
<b>KEY DECISION?</b>	<b>YES</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to advise Members of the corporate and departmental progress made against the Carbon Budget 2011/12 (Appendix A); the revisions that are required to meet Corporate Goals; and, provide the Carbon Budget for 2012/13.
- 1.2 Members requested that a Carbon Budget be established (Council 14 December 2009, Minute 77 refers). The resolution included instructions to:
  - Establish the Council's carbon footprint and quantify tonnes of CO<sub>2</sub> emitted as a direct result of Council operations for 2010 onwards;
  - Prepare carbon budgets detailing emissions and efficiency targets for each department to be presented at Budget Cabinet and Council alongside the Council's financial budget; and,
  - Report to Cabinet on progress being made by departments against their carbon target and the measures and projects being undertaken to reduce energy use and carbon emissions.
- 1.3 Appendix A sets out the Carbon Budget Performance Table for the Council's buildings. The Carbon Budget Impact Statement (Appendix B) summarises the measures and projects aimed at reducing carbon emissions.
- 1.4 Progress against the actions requested by Members at Cabinet 21 February 2011 (Minute 331 refers) is also included in the report.
- 1.5 The Carbon Budget process will be further developed in light of anticipated changes to the mandatory Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) and organisational needs.
- 1.6 The Carbon Budget is not a statutory requirement but is Wirral's only method of managing CO<sub>2</sub> emissions in order to comply with the Corporate Objective to 'reduce our carbon footprint' and the CRCEES.
- 1.7 The carbon budget is not financial but meeting the annual targets will have an impact on costs. Reductions in carbon emissions are achieved by reducing

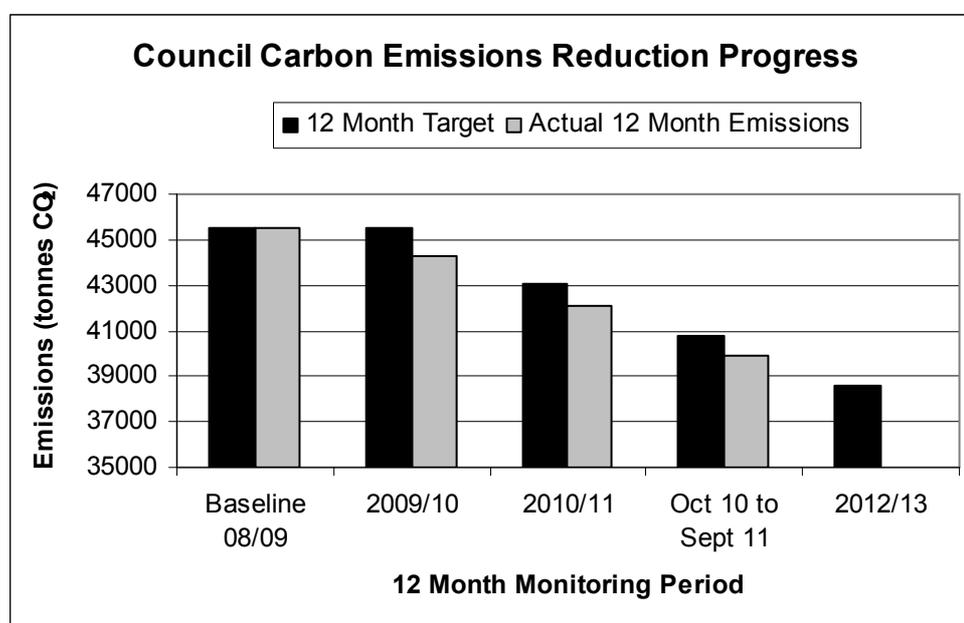
energy use and there are financial savings that will be made from the avoided costs of energy and CRCEES allowances.

1.8 This report does not contain exempt information.

## 2.0 BACKGROUND AND KEY ISSUES

### 2.1 Background

2.1.1 The chart below shows actual 12 month carbon emissions compared against the annual emissions targets set out in the Carbon Budget that was approved by Cabinet on 22 February 2010 (Minute 335 refers). To date, the rate at which emissions have been reducing has exceeded that which is required to meet the 60% reduction target by 2025. Annual targets for carbon management are modified to reflect changes to the council estate.



2.1.2 The Carbon Budget was approved by cabinet on 22 February 2010 (Minute 335 refers). The method of apportioning emissions between Departments has since altered to reflect the Asset Register listing by service responsible for a site or building. Total emissions were not affected.

2.1.3 The Carbon Budget is not financial, but it is presented at the same time as the financial budget as directed by Council.

2.1.4 The Sustainability Unit calculates the carbon emission figures for a twelve month period every six months. This information is used to compile a performance report for the past year and is used to encourage Departments to meet their carbon target and so aid the carbon management process. For the purposes of reporting on the carbon budget, the most recent carbon reporting period is used. In this

case it is the reporting period from 1 October 2010 to 30 September 2011.

2.1.5 Due to the time lags in obtaining comprehensive energy consumption data from energy suppliers, Carbon Budget figures do not match the Financial Year when the Carbon Budget report is presented. If the most recent complete financial year were to be used, the report would be unable to reflect the most recent trends.

## 2.2 Progress against Cabinet Minutes

2.2.1 Appendix A shows the Council's progress towards emissions targets set by the Carbon Budget. Taking account of the performance over the year 1 October 2010 to 30 September 2011, corporate emissions are calculated to be within 0.56% of the 2011/12 target.

2.2.2 As directed by Members, the Sustainability Unit is working with the Merseyside Pension Fund (MPF) to implement the carbon budget as part of its normal business activities. Wirral is responsible for the operation of the MPF and is obliged to report their activities for CRCEES. Initial meetings have taken place and work will continue to ensure the MPF contributes to Wirral's carbon reduction targets.

2.2.3 Council 14 December 2009 (Minute 77 refers) instructed the Director of Finance to bring forward an appropriate evaluation model for quantifying CO<sub>2</sub> emissions as part of the procurement process for new Council contracts and other spend. The Council's Procurement Team are collaborating with 30 other local authorities through a project being run by dCarbon North West, which aims to understand, inform and encourage sustainable business practices throughout the supply chain.

2.2.4 The dCarbon North West project is designed to help businesses make cost savings through reduced energy use and enable them to promote their green credentials to existing and potential customers.

2.2.5 dCarbon Northwest utilises the on-line supplier engagement tool CAESER (<http://nqc.com/CAESER>), managed by NQC Ltd, to help organisations assess their carbon management. Completing the assessment will provide a tailored report, which also provides support and recommendations for action where relevant. The on-line system can then also be used to communicate any improvements that they can make in the future. Access to the system will be given to all participants so that they will be able to see the 'Carbon Spend' information of each organisation and the Council can use this as part of the procurement process.

2.2.6 Progress on reducing the Council's Carbon Footprint was reported to Sustainable Communities Overview and Scrutiny Committee on 23 November 2011 (Min 7 refers).

2.2.7 A briefing on the ethos of the Carbon Budget was delivered in December 2011 as part of the Members' Training and Development Programme.

2.2.8 Departmental Management Teams (DMT's) have been provided with a series of actions on improving energy efficiency to communicate to their staff.

### **2.3 Current Initiatives**

2.3.1 Current initiatives to reduce the Council's Carbon footprint are shown in Appendix B.

2.3.2 The Sustainability Unit has scheduled quarterly attendance at each Department's DMT meetings in order to assist and advise management teams on how to meet their Carbon Targets without compromising service delivery.

2.3.3 Work is scheduled to commence in April on proposals for a management framework that will comply with ISO 50001 (Energy management systems). This will clarify roles and responsibilities and give clear directions to achieve the structural carbon savings required. The system will be tailored to the Council's changing needs in order to drive down emissions, control costs and reduce risks.

2.3.4 Training sessions for Energy Champions and Building Attendants/Caretakers have been arranged and should improve the flow of information back to DMT's on issues around maintenance of equipment and plant and identified energy inefficiencies and waste. Local or strategic solutions may be required to address the issues raised and the appropriate approaches will be determined through the Asset Review Board.

2.3.5 DMT's have been reminded that access to individual building energy information is available via the energy database web access. This facility provides energy and carbon emission information that can be used to track progress.

### **2.4 Development of the Carbon Budget**

2.4.1 Wirral Council's Carbon Budget was first developed in 2009 and set annual performance targets to 2012/13 based on NI (National Indicator) 185 and 194 method and inclusion criteria. Targets for 2013/14 onwards now need to be set to continue the scheme.

2.4.2 This presents an ideal opportunity to review the Carbon Budget process based on the following:

- Lessons learnt to date;
- Alignment with the most recent industry standard (ISO 50001:2011 Energy management systems);

- Alignment with CRCEES (Carbon Reduction Commitment Energy Efficiency Scheme); and,
- Consultation with affected departments and organisations.

2.4.3 NI's 185 and 194 were deleted from the single data list and the CRCEES now provides the most rigorous CO<sub>2</sub> emissions report. The CRCEES is subject to regular internal and external audit and gives the performance figures greater authority.

2.4.4 A consultation on draft legislative proposals aimed at simplifying the CRCEES is due to start in February 2012; government aims to implement a simplified scheme for Phase 2 of the CRCEES starting in April 2013.

2.4.5 It is recommended that the current Carbon Budget method be applied until April 2013. A report will be produced following the results of the Government's consultation on simplification of the CRCEES detailing recommended alterations to the Carbon Budget process as well as organisational carbon budget targets for 2013/14 onward. The Sustainability Unit will consult internally as part of the development process.

### **3.0 RELEVANT RISKS**

3.1 The greatest risk is not meeting the required corporate targets set out in the carbon budget. Failure to meet targets will mean that energy costs and CRCEES charges could increase.

3.2 There is a risk that individual departments may not meet their targets. The Sustainability Unit is working with DMT's and staff to help meet the carbon reduction targets and reduce this risk which also carries financial implications.

3.3 The absence of an effective carbon management system to deliver the Carbon Budget increases the risk of not meeting the targets as detailed in the Corporate Plan. Accreditation with an approved management system will reduce this risk and ensure that the carbon management system is fully mainstreamed and that focus on carbon reduction is maintained.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 Regular reporting on the Carbon Budget on a departmental basis is based on the Council Resolution passed on 14 December 2009. The only other option is to do nothing which is not a reasonable alternative as it would increase the financial costs of the CREES.

## **5.0 CONSULTATION**

- 5.1 A briefing on the ethos of the Carbon Budget was delivered as part of the Members' Training and Development Programme.
- 5.2 Departmental Management Team (DMT) meetings are being attended quarterly to consult, assist and inform Management on how to achieve their carbon targets which will contribute to reaching corporate goals.

## **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

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

## **7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

- 7.1 There are no direct financial implications arising from this report. It should be appreciated that a reduction in carbon emissions is normally associated with a corresponding reduction in energy use and consequent cost. At present, the CRCEES requires the Council to purchase allowances at a rate of £12 per tonne to cover all reportable emissions.
- 7.2 There are no IT implications arising directly from this report.
- 7.3 There are no staffing implications arising directly from this report.
- 7.4 The rationalisation of the Council's estate will greatly assist in the delivery of the Carbon Budget as detailed in Appendix B.

## **8.0 LEGAL IMPLICATIONS**

- 8.1 There are no direct legal implications arising from this report.

## **9.0 EQUALITIES IMPLICATIONS**

- 9.1 The potential impact of the proposal has been reviewed with regard to equality and it is concluded that there is no relevance to equality.

## **10.0 CARBON REDUCTION IMPLICATIONS**

- 10.1 Reducing Wirral's carbon footprint has been identified in the Corporate Plan as one of the goals for the next three years.
- 10.2 If the proposals contained within the carbon Budget Impact Statement 2012/13 are fully realised, the Council will reduce CO<sub>2</sub> emissions by

approximately 2,490 tonnes which will positively assist in meeting future emissions targets.

## **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 The disposal of Council owned properties outlined in Appendix B could have planning implications. Any future applications for planning permission would be assessed for compliance with the statutory development plan, which currently comprises of the Wirral Unitary Development Plan (as saved by direction of the Secretary of State on 28<sup>th</sup> September 2007 and the North West of England Regional Spatial Strategy to 2021 (September 2008).

## **12.0 RECOMMENDATIONS**

12.1 It is recommended that:

12.2 The progress towards the 2011/12 target included in Appendix 1 is noted.

12.3 The Carbon Budget for 2012/13 included in Appendix A is approved.

12.4 The actions described in Appendix B are noted and endorsed.

12.5 The current Carbon Budget method be applied until April 2013 and that a further report detailing recommended alterations as a result of the review of the Carbon Budget process together with Carbon Budget targets for 2013/14 will be brought to a future meeting of Cabinet.

## **13.0 REASONS FOR RECOMMENDATIONS**

13.1 To set a Carbon Budget that will help the Council to meet local and national emissions targets, assist in the management and operation of the CRCEES and contribute to reducing energy consumption and costs.

13.2 To allow a review of the Carbon Budget method that will permit improvements to be implemented that will ensure it complements other mandatory schemes and removes duplication of effort.

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## **APPENDICES**

**Appendix A** – Carbon Budget Performance Table for Local Authority Buildings

**Appendix B** – Carbon Budget Impact Statement

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Council (Notice of Motion)	14 December 2009
Budget Cabinet	22 February 2010
Budget Council	1 March 2010
Cabinet	25 November 2010
Cabinet	21 February 2011
Budget Council	1 March 2011
Cabinet	14 April 2011

## Appendix A - Carbon Budget Performance Table for Local Authority Buildings

Baseline Carbon Footprint (2008/09): 45,481 tonnes

Responsible Department	*2011/12 CO2 Emissions Target (tonnes)	**Actual Emissions Oct 10 to Sept 2011 (tonnes)	*2012/13 CO2 Emissions Target (tonnes)	Reduction required to meet 2012/13 CO2 Emissions Target (tonnes)
ADULT SOCIAL SERVICES	1,673	1,621	1,575	98
SCHOOLS	17,129	15,843	16,238	891
CYPD	1,032	1,043	996	36
CORPORATE SERVICES	0	0	0	0
LHR & AM	4,642	4,321	3,923	719
FINANCE	734	726	697	37
TECHNICAL SERVICES	14,460	16,340	12,630	1,830
<b>TOTAL</b>	<b>39,670</b>	<b>39,894</b>	<b>36,059</b>	<b>3,611</b>

\* When the first Carbon Budget was agreed, targets were set for the three years 2010/11, 2011/12 and 2012/13. Annual targets are revised at each six monthly update when available data is reviewed to compensate for: underperformance; changes in the Council's estate and meet corporate carbon emissions reduction goals. The targets above take these updates into account.

\*\*The last full twelve month period for which data is available.

## Appendix B - Carbon Budget Impact Statement

### CARBON BUDGET IMPACT STATEMENT 2012-13

Description of Action	Carbon (Tonnes of CO2) Reductions/Increases	Outcomes	Risks	Other Impacts/Comments
Install Voltage Optimisation System at alternative site to Treasury	-20	Positive impact on emissions Reduced maintenance Costs	Installation at Treasury proved non feasible as mainframe cannot be taken out of service. Alternative site not yet identified	Reduced cost
PV Installation at Cheshire Lines Building	-2	Positive impact on emissions		FITS Income Installation Complete
Disposal of Alexander Hall	-13	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Returned to Council 09/12/11 – completion date uncertain
Disposal of Brookfield Children's Home	-32	Structural reduction in carbon emissions should the site be disposed of.	Site re-use may impact on carbon emissions	Site mothballed – may be re-used
Disposal or Transfer of DASS Properties (Mapleholme, Pensall, Poulton, Meadowcroft)	-581	Structural reduction in carbon emissions should the identified homes be transferred out of Council control or sold.	Emissions reduction dependent on completion	Completion anticipated October 2012
Disposal of Delamere Community Centre	-11	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Completion anticipated July 2012
Disposal of Kylemore Community Centre	-15	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Completion anticipated August 2012
Disposal of Vale House	-47	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Completion anticipated July 2012
Overton Community Centre	-25	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Completion uncertain

### CARBON BUDGET IMPACT STATEMENT 2012-13

Description of Action	Carbon (Tonnes of CO2) Reductions/Increases	Outcomes	Risks	Other Impacts/Comments
Disposal of Bromborough Social Centre	-22	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Completion uncertain
Disposal of Willowtree	-159	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Completion anticipated December 2012
Disposal of Hillcroft	-8	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Completion anticipated August 2012
Disposal of 245 Liscard Road	-8	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Completion uncertain
Disposal of Oakenholt Road Complex	-39	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Completion anticipated July 2012
Disposal of 96 Manor Road	-15	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Completion anticipated October 2012
Disposal of Poulton Primary	-65	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Completion anticipated August 2012
Disposal of Esher House	-56	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Completion anticipated October 2012
Disposal of Old Court House	-88	Structural reduction in carbon emissions	Emissions reduction dependent on completion	Completion anticipated December 2012
Combined Heat and Power	-400 to 550	Positive effect on emissions	Long term contract Approval not gained from SCP or successor	Reduced cost Improved energy efficiency

## CARBON BUDGET IMPACT STATEMENT 2012-13

Description of Action	Carbon (Tonnes of CO <sub>2</sub> ) Reductions\Increases	Outcomes	Risks	Other Impacts/Comments
<b>Solar PV Project</b>	-300	Positive effect on emissions. Environmentally Friendly Renewable Source of Energy	Outcome of consultation on FITS modifications proposed by DECC	To be assessed on the outcome of current tender exercise
<b>Awareness Raising</b>		Introduce a cultural change to make saving energy a normal part of service delivery; educate staff at all levels; and, motivate and maintain performance levels.	Impact difficult to assess Reduced performance if not fully implemented	Improved energy efficiency
<b>Provision of additional Electric heaters</b>	<b>TBC</b>	Supplementary heating necessary where existing systems are out of service or faulty to maintain reasonable comfort  Negative impact on emissions	Long term use will increase emissions	Higher electricity cost due to increased use
<b>Decrease temperature set points by 1 Deg C where possible.</b>	<b>-274</b>	Positive impact on emissions	Local control and unrealistic expectations	Reduced gas costs
<b>Remote monitoring and lamp upgrade to 900 main road streetlamps</b>	<b>-310</b>	Structural reduction in carbon emissions	Programme is stopped	Financial savings (will depend on updating the unmetered supply certificate)
<b>TOTAL PROPOSED EMISSIONS REDUCTION</b>	<b>-2,490</b>	<b>Tonnes of CO<sub>2</sub></b>		