



Cabinet

Date: Monday, 22 February 2010

Time: 6.15 pm

Venue: Committee Room 1 - Wallasey Town Hall

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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

2. MINUTES

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

RECOMMENDATION: That the minutes be approved and adopted.

FINANCE AND BEST VALUE

3. BUDGET 2010-11 (Pages 1 - 84)

4. SCHOOLS BUDGET 2010-2011 (Pages 85 - 104)

5. TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2010-2013 (Pages 105 - 136)

6. BUDGET COUNCIL PROCEDURE (Pages 137 - 142)

ENVIRONMENT

- 7. CARBON BUDGET 2010-2011 (Pages 143 - 152)**
- 8. ANY OTHER BUSINESS**

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

WIRRAL COUNCIL

**CABINET
22 FEBRUARY 2010**

**COUNCIL
1 MARCH 2010**

COUNCIL BUDGET 2010/11

REPORT OF THE DIRECTOR OF FINANCE

1. EXECUTIVE SUMMARY

- 1.1 This report and appendices forms part of the financial planning process in that it provides Members with the information upon which to consider the Council budget for 2010/11. Members are asked to agree the Council budget and Council Tax levels for 2010/11.

2. BACKGROUND

- 2.1 The annual Council budget is an integral part of the overall financial management of the Council. The Medium Term Financial Strategy for 2010/14 was agreed by Cabinet on 24 September 2009 and considers issues at a strategic, rather than a departmental or operational, level. Covering a four year period 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.
- 2.2 Under Section 25 of the Local Government Act 2003 I must present a written report on each budget proposal which addresses the robustness of the proposed budget with particular reference to :-
- a) The adequacy of General Fund balances and reserves.
 - b) The achievability of any savings included within the budget.
 - c) The impact upon any future years' budget.

3. INTRODUCTION

- 3.1 The financial projections for the period 2010/14 have been regularly updated and reported to Cabinet throughout the current financial year and Members are now requested to agree the budget for 2010/11. As the Government Comprehensive Spending Review and the Local Government Finance Settlement will cover three years Cabinet will shortly be asked to consider indicative budgets for future financial years.

- 3.2 The Base Estimate for 2010/11 consolidates the budgets of individual services and the savings considered by Cabinet. Where formal notification has been received regarding the proposed levies these have also been incorporated. More detailed information on outstanding precepts should be available for the meeting.
- 3.3 The budgets have again been prepared at out-turn prices. In accordance with the decision of Cabinet on 5 November 2009 no inflation has been included for general prices and contracts and pay awards due to be settled for 2010/11 have been included at 1% for all employees. 3% has been included for income.
- 3.4 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 2010/11 which is the same as for 2009/10. Consequently the tax base has been adjusted by the estimated collection rate of 98.5%.
- 3.5 Regular reports have been presented to Cabinet throughout the financial year highlighting the projected financial position for 2010/11 with the most recent being submitted to Cabinet on 5 November 2009. The present position as detailed in the Summary of General Fund Estimates is:-

	£000
Budget Requirement	333.2
Income before any Council Tax rise	330.1
Difference between requirement and income	3.1

- 3.6 The Government has again stated that it expect to see Council Tax increases at a 16 year low and this was re-affirmed on the announcement of the Local Government Finance Settlement. Capping action has already been initiated against three police authorities to limit their increase to around 3%.
- 3.7 Estimated General Fund balances at 31 March 2011 are £11.1 million and the Council will be expected to set a budget for 2010/11 leaving a minimum of £6.5 million in balances. This figure being 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. FINANCIAL YEAR 2009/10

- 4.1 Since setting the budget for 2009/10 Cabinet agreed to increase spending primarily on libraries and winter maintenance(funded from balances) and the Wirral Apprentice scheme (funded from additional grant) whilst the decisions to reduce budgets following the 2009 pay award and the revised energy contracts saw a reduction in spending. The net effect is a reduction in the contribution from balances of £1 million.

4.2 Otherwise the changes in departmental budgets reflect transfers between departments including the consolidation of all administrative buildings under the Department of Law, HR & Asset Management, the transferring of schemes from the capital programme and associated Treasury Management financing and the re-allocation of the treasury management budget and capital, buildings and support services charges, all of which do not impact upon the overall level of Council spend.

4.3 A summary of the main changers from the Base Estimate for 2009/10 to the Current Estimate for 2009/10 are as follows:-

Details	£million	£million
Base Estimate 2009/10		312.1
Increased expenditure/reduced income		
Apprentice Scheme (from grant)	0.8	
Libraries	0.8	
Winter maintenance and other	<u>0.5</u>	+2.1
Reduced expenditure / increased income		
Employees Pay	1.5	
Energy Contracts	<u>0.7</u>	-2.2
Impact on balances		
Reduced contribution / increase in balances		+1.0
Current Estimate 2009/10		313.0

4.4 The latest projections for the current financial year, based upon the position at 31 January 2010 are included within the Summary of General Fund Estimates. Efforts continue to contain spend within the departmental budgets as detailed in Appendix A. No adjustments have been agreed in respect of the following potential variations which, if they do occur will reduce balances by £2.9 million:-

Department / potential variation	£million
Adult Social Services	+2.5
Essentially pressures on community care services	
Technical Services	+0.8
Income shortfalls and cost of winter maintenance	
Regeneration	+0.3
Shortfall in income	
Treasury Management	-0.7
Management of cash flow and increased interest receipts	

5. FINANCIAL YEAR 2010/11

5.1 A summary of the main changes from the Base Estimate for 2009/10 to the Base Estimate for 2010/11 are:-

Details	£million	£million
Budget Requirement 2009/10		312.1
Adjustments for		
One-off use of balances	+3.2	
One-off other contributions	+1.6	
Bridging finance for Asset Review	- 1.8	
Employees Pay 2009/10	- 1.5	
Policy Options 2009/10 only	<u>- 0.8</u>	<u>+0.7</u>
Revised Budget Requirement		312.8
Increased requirements		
Area Based Grant-funded spend	10.3	
Capital financing	2.9	
Personal Care at Home	2.6	
Efficiency Investment Budget	2.6	
Libraries / One Stop Shops	2.3	
Inflation – pay and pensions	1.8	
Housing Benefits	1.5	
Private Finance Initiative	1.2	
Merseytravel Levy	1.0	
Waste Disposal Authority Levy	0.6	
Increased requirements	<u>0.6</u>	+27.4
Reduced requirements		
Energy Contracts	1.5	
Efficiencies	1.4	
Inflation – prices	1.0	
Insurance	<u>0.4</u>	-4.3
Use of Bridging finances / balances		-2.7
Budget requirement 2010/11		333.2

* The transfer of further education responsibilities from the Learning & Skills Council has increased Council spending by £17.2 million from 2010/11 with this spend being matched by the receipt of a specific grant.

5.2 The Efficiency Investment Budget is 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 items approved by Cabinet in the 2009/10 financial year are detailed in Appendix A.

5.3 The Policy Options agreed for the 2009/10 financial year only when setting the 2009/10 Budget that have been deleted from the Base Estimate 2010/11 are detailed in Appendix A.

6. LOCAL GOVERNMENT FINANCE SETTLEMENT

6.1 Whilst the Government Comprehensive Spending Review 2007 set out the intentions at a high level for the next three years the Local Government Finance Settlement identifies the Government grant support over this period for individual authorities. The Department for Communities and Local Government (DCLG) announced the three year Local Government Finance Settlement on 24 January 2008.

6.2 The Provisional Settlement for 2010/11 was announced by the DCLG on 26 November 2009 and the Final Settlement, confirming the earlier announcement, on 20 January 2010. With 2010/11 being the third year of the three year programme this essentially re-affirmed the grant allocations notified to authorities in January 2008.

6.3 The allocation of the grant (Formula Grant) is through a 'four block model':-

- Relative Needs Block – This is based upon formulae that cover seven areas and seek to reflect the relative needs of individual authorities in providing services.
- Relative Resources Block – This is a negative figure as areas that can raise more income locally require less Government support. It aims to recognise differences in the amount of local income that individual Councils have the potential to raise.
- Central Allocation – After the Relative Needs and Relative Resources have been assessed the balance of the grant is distributed on a per capita basis.
- Floor Damping Block – The mechanism for damping grant changes seeks to provide authorities with a minimum year on year grant increase.

6.4 As detailed in the reports to Cabinet on 9 December 2009 and 4 February 2010 the Local Government Finance Settlement included for Wirral:-

Components	2009/10	2010/11
	£ million	£ million
Relative Needs	125.4	128.5
Relative Resources	-25.3	-25.1
Central Allocation	60.2	61.8
Floor Damping	-7.6	-7.3
Final Grant	152.7	157.9

- 6.5 The Government incorporate a notional adjustment to the previous year's Formula Grant to reflect any new burdens and transfers of functions applicable to local authorities. There were no significant changes for 2010/11. The annual increase for 2010/11 represents an increase in grant of 3.4%. As previously reported this grant increase compares favourably with the national average and resulted in Wirral, for many years in receipt of additional support to reach the minimum floor increase now being above the floor and contributing to ensure that others received the floor increase.
- 6.6 The Government has no definitive capping principles but the statement by the Parliamentary Under-Secretary of State gave an indication of Government intentions. Excessive Council Tax increases will be capped; there should not be a presumption that there would be no capping even if the principles of 2009/10 are not breached (budget requirement increase of more than 4% and a band D increase of more than 5%) and there is an expectation that the average band D increase will fall to a 16 year low. Capping action has already been initiated against three police authorities in advance of 2010/11 to limit their increase to around 3%.
- 6.7 The continuing commitment to reduce the number of grants allocated for specific purposes saw the Government introduce the Area Based Grant from 2008/09. As with the Formula Grant authorities are able to use the resource as they deem appropriate although the Government have indicated which grants have been incorporated. For Wirral this grant is worth £41 million for 2010/11 a rise of over £10 million on 2009/10 as Supporting People grant is now included. Cabinet on 14 January 2010 agreed that the 2010/11 grant be allocated on the basis indicated by the Government.

7. COLLECTION FUND

- 7.1 The Collection Fund is a separate fund for the collection and distribution of amounts in respect of Council Tax and National Non-Domestic Rates. The anticipated collection rate is 98.5% and collection above this rate generates a surplus for distribution whilst any under-performance has to be recovered from the Council and precepting authorities.
- 7.2 The Collection Fund for the year ending 31 March 2010 is estimated to be in a balanced position. The collection rate is in line with the 2008/09 performance and is on target although I continue to monitor collection performance in light of the national economic situation. As a consequence of the balanced position no surplus or deficit will be received by, or charged to, the General Fund during the 2010/11 financial year.
- 7.3 The reported deficit for 2008/09 was forecast to be £0.8 million and this was recovered from the precept bodies during 2009/10. This included the sum of £687,400 being the Wirral Council element which was reflected in the 2009/10 Budget. The actual deficit at 31 March 2009 was less than anticipated. Any additional funds in 2009/10 will be utilised to increase the Collection Fund provision for bad debts which follows a recommendation from the Audit Commission audit of the 2008/09 accounts.

8. TAX BASE

- 8.1 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.
- 8.2 The tax base used in the calculation was reported to Cabinet on 9 December 2009. The tax base of 106,283.8 is adjusted by the estimated collection rate of 98.5% to give an adjusted tax base of 104,690. It is this figure that is used in calculating the Council Tax and the 2010/11 figure shows an increase of 0.4% upon the 2009/10 figure.

Council Tax Band		Properties	Discounted Dwellings	Band Ratio	Band D Equivalent
A	Up to £40,000	58,641	47,574.25	6/9	31,716.2
B	£ 40 - £ 52,000	30,900	26,997.50	7/9	20,998.1
C	£ 52 - £ 68,000	27,203	24,401.25	8/9	21,690.0
D	£ 68 - £ 88,000	13,006	11,827.50	9/9	11,827.5
E	£ 88 - £120,000	8,047	7,403.00	11/9	9,048.1
F	£120 - £160,000	4,278	3,954.50	13/9	5,712.1
G	£160 - £320,000	3,102	2,872.75	15/9	4,787.9
H	Over £320,000	269	225.25	18/9	450.5
		145,446			106,230.4
Add : contributions for Government dwellings					2.0
Add : Band A Disabled Relief Band D equivalent					51.4
Total Council Tax Base 2010/11					106,283.8
Estimated Collection Rate					x 98.5%
Adjusted Council Tax Case 2010/11					104,690
Adjusted Council Tax Base 2009/10					104,276

9. BALANCES

- 9.1 The budget for 2009/10 was set leaving £6 million in balances and the anticipated balances at 31 March 2010 can be summarised below: -

	£million
Actual Balances at 1 April 2009	8.5
Adjustment for 2008/09 year end accounts	(0.2)
Contributions from	
VAT recovery	3.1
Housing Benefit Reserve / Provision	1.5
Other Reserves / Provisions	0.8
Contributions to	
Supporting Services	(2.2)
Projected Balances at 31 March 2010	11.5

- 9.2 Of the Projected Balances at 31 March 2010 Cabinet have agreed to use £0.5 million to support the delivery of the Strategic Asset Review.

- 9.3 Having regard to the statutory guidance and the management, control and risks associated with Council finances the general balance should be set at 2% of the net revenue budget. Whilst £6 million was deemed appropriate for 2009/10 the sum of £6.5 million is the acceptable level of balance for 2010/11 reflecting the changes to Government funding. 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.

10. BUDGET SUSTAINABILITY AND PROJECTED BUDGETS

- 10.1 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 introduced three year Settlements and the Council Corporate Plan and underpinning strategies already reflect this period. The future year budget projections are regularly updated and reported to Cabinet to enable the continued meeting of the objectives within the available resources.
- 10.2 When setting previous budgets reference has been made to the pressures faced through the demands for adult and child care services, meeting the waste agenda, responding to climate change and the increasing need to identify, and deliver, efficiencies. Last year this included responding to the impact of the recession and whilst the national and global economic situation is improving the Chancellor of the Exchequer in his Pre-Budget Statement outlined the forecast economic projections. These promise to put further pressure upon the financial position of the Council.
- 10.3 The Council continues to identify efficiencies and savings, often requiring difficult decisions, with the Council now better placed financially to face the future. The Government has set the public sector a target of achieving 4% efficiencies for the final year of the Comprehensive Spending Review 2008/11 which authorities are able to re-invest in service delivery. Authorities must demonstrate that the efficiencies have been identified and re-invested. The economic situation will require authorities to find substantially greater efficiencies in future years. 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.

11. CORPORATE, DEPARTMENTAL AND FINANCIAL PLANS

- 11.1 The Corporate Plan 2008/11 was agreed on 21 April 2008 and aims to deliver the Vision for Wirral approved by Council on 17 December 2007. The Plan details the strategic objectives, medium term aims and the immediate priorities for improvement alongside a framework for delivery.

11.2 The Plan provides the strategic direction for departments which are responsible for delivering the objectives through the departmental plans. This continues the further integration of Service and Financial Planning and alignment with other strategies as contained in the report on the Medium Term Financial Strategy presented to Cabinet on 24 September 2009.

11.3 The Corporate Plan priorities for 2010/11 were confirmed by Cabinet on 24 September 2009 and these informed the updated Corporate Plan and Departmental Service Plans reported to Cabinet on 14 January 2010.

12. RISK ASSESSMENT

12.1 The management of risk helps in the achievement of the Council objectives, improves services and delivers value for money. In considering the annual budget the main financial risks are:-

Risk	Actions	Category
Efficiencies / savings are not delivered	Appraisal of issues at start Regular monitoring Use of balances	High
Service spend under-estimated (impact of demand lead areas)	Regular monitoring of volatile budget areas Use of balances	Medium
Balances are insufficient	Set at recommended level Regular monitoring and twice yearly review	Medium
Government grant funding is not as expected	Lobbying of Government Three year Settlements	Medium
Inflation levels vary from those projected	Pay awards predicted Regular review Use of balances	Low
Income from Council Tax below expected levels	Annual review of tax base Monitoring of collection rates	Low

12.2 The economic situation referred to within this report continues to be a risk to the delivery of a number of the Council's objectives as set out in the Vision for Wirral and the Corporate Plan. In terms of the budget the following continue to be kept under consideration:-

Risk	Actions	Category
Increase in worklessness	Housing Benefit caseload and budget reviewed and increased	Medium
Impact on health and well-being	Fees and charges policies reviewed to remain affordable	Medium
Asset sales not realised	Capital programme projections for capital receipts reviewed	Medium
Investment returns not realised	Treasury management income projections reduced for 2009/10	Low
Income projections not realised	Further use of Direct Debit Review provisions for potential bad debts	Low

13. REVENUE ESTIMATES

- 13.1 This Budget report identifies the latest position regarding the draft Budget for 2010/11 including the implications of the Local Government Finance Settlement, agreed growth and savings. The position is reflected in the Summary of General Fund Estimates - Gold Sheet.
- 13.2 Appendix A contains the departmental revenue estimates that show the main departmental variations together with an analysis of the budget by activity and by type of expenditure and income.
- 13.3 Capital Programme
This is detailed in Appendix B and was presented to Cabinet on 9 December 2009 and subsequently approved by Council on 14 December 2009. Included is updated information relating to confirmation of government grant funding especially that relating to the Local Transport Plan.
- 13.4 Insurance Fund
Appendix C provides details of the Insurance Fund budget that was agreed by Cabinet on 14 January 2010.
- 13.5 Schools Budget
Based upon the Dedicated Schools Grant and the Area Based Grant allocation for school activities the Schools Budget is detailed in a separate report to this Cabinet from the Director of Children's Services.
- 13.6 Treasury Management and Investment Strategy
A requirement under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services this Strategy is on this agenda.
- 13.7 Carbon Budget
One of the Council's key aims is to reduce the Council's carbon footprint the first Carbon Budget has been prepared by the Director of Technical services and is on this agenda.

14. RECOMMENDATIONS

- 14.1 That Members consider the Council Budget for 2010/11 and determine the levels of Council Tax for 2010/11.
- 14.2 That following the agreement of the Council Budget for 2010/11 a report be brought to Cabinet updating the financial projections for 2011/14 to further support the Council in planning over the medium term.

IAN COLEMAN
DIRECTOR OF FINANCE

WIRRAL COUNCIL

SUMMARY OF GENERAL FUND ESTIMATES

	BASE ESTIMATE 2009/10 £	CURRENT ESTIMATE 2009/10 £	BASE ESTIMATE 2010/11 £
EXPENDITURE			
Adult Social Services	86,097,900	85,363,900	86,936,500
Children and Young People	77,249,900	77,509,000	77,811,900
Schools	663,700	665,600	493,200
Corporate Services	5,649,400	5,876,700	5,663,300
Finance	28,833,800	21,123,600	27,789,300
Law, HR and Asset Management	2,479,500	8,226,000	8,318,300
Regeneration	46,511,700	47,578,500	56,671,000
Technical Services	41,921,500	43,003,300	43,110,800
Departmental budgets	289,407,400	289,346,600	306,794,300
Merseytravel	26,305,000	26,305,000	27,344,000
Local Pay Review	1,177,100	1,204,700	1,130,800
Contribution to / (from) balances	(3,193,000)	(2,222,800)	(500,000)
LABGI grant	(200,000)	(200,000)	(200,000)
LAA grant	(1,400,000)	(1,400,000)	(1,400,000)
BUDGET REQUIREMENT	312,096,500	313,033,500	333,169,100
INCOME			
Revenue Support Grant	28,643,000	28,643,000	20,016,300
National Non Domestic Rate	124,094,400	124,094,400	137,844,200
Area Based Grant	31,038,000	31,975,000	42,725,000
Council Tax Income	129,008,500	129,008,500	129,520,000
Collection Fund Surplus	(687,400)	(687,400)	0
TOTAL INCOME	312,096,500	313,033,500	330,105,500
STATEMENT OF GENERAL BALANCE			
General Balance at 1 April	8,507,400	8,507,400	11,561,000
Adjustment (following 2008/09 outturn)	0	(224,000)	0
Budgeted contribution	(3,193,000)	(2,222,800)	(500,000)
Contribution from Reserves	687,400	2,358,400	0
VAT Reimbursement	0	3,142,000	0
GENERAL BALANCE AT 31 MARCH	6,001,800	11,561,000	11,061,000

APPENDIX A

WIRRAL COUNCIL

DRAFT REVENUE ESTIMATES

2010/11

WIRRAL COUNCIL

REVENUE ESTIMATES 2010/11

INTRODUCTION

The following pages have been prepared to enable Members to consider the formulation of the Current Estimate for 2009/10 and the Base Estimate for 2010/11. They provide, for each General Fund Service, a revision of the 2009/10 Base Estimate to the Current Estimate, a summary of the Base Estimate 2010/11 and a subjective and objective analysis.

The estimates have been prepared at out-turn prices with pay awards due to be settled for 2010/11 included at 1% for all employees. No provision has been included for inflation on general prices and contracts whilst 3% is included for income.

The table below includes the decisions of Council up to, and including, the recommendations from Cabinet on 4 February 2010.

DEPARTMENT EXPENDITURE	Base Estimate 2009/10	Current Estimate 2009/10	Base Estimate 2010/11
	£	£	£
Adult Social Services	86,097,900	85,363,900	86,936,500
Children & Young People	77,249,900	77,509,000	77,811,900
Education – Schools	663,700	665,700	493,200
Corporate Services	5,649,400	5,876,700	5,663,300
Finance	28,833,800	21,123,600	27,789,300
Law HR, Asset Management	2,479,500	8,226,000	8,318,300
Regeneration	46,511,700	47,578,500	56,671,000
Technical Services	41,921,500	43,003,300	43,110,800
	289,407,400	289,346,600	306,794,300

WIRRAL COUNCIL

EFFICIENCY INVESTMENT BUDGET

The Efficiency Investment Budget is 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 2009/10 financial year:-

Department and scheme	2009/10 £
Adult Social Services	
Reform Team	518,000
Corporate Services	
Equality	68,000
Finance	
Change, Procurement and Customer Services Teams	2,154,000
Merseyside Procurement	11,000
VAT recovery	629,000
Operational Efficiency Programme	5,000
Law, HR and Asset Management	
Asset Management – Land Registry	30,000
Children's Services solicitor	92,000
Regeneration	
Parks/Countryside Gateway Review	160,000
Technical Services	
Energy Efficiency Street Lighting	137,000
Automatic meter reading equipment	100,000
Unallocated	1,396,000
Total Budget	5,300,000

WIRRAL COUNCIL

POLICY OPTIONS 2009/10

The following were agreed for the 2009/10 financial year only when setting the 2009/10 Budget and have been deleted from the Base Estimate 2010/11.

Department and scheme	£
Children and Young People	
Residential Care	280,000
Corporate Services	
You Decide	260,000
Support for micro-businesses	50,000
Regeneration	
Community Asset Transfer	50,000
Technical Services	
Street lighting energy contract	180,000
Total	£820,000

ADULT SOCIAL SERVICES	Current Estimate 2009/10	Base Estimate 2010/11		
BUDGET CHANGES	£000	£000	£000	£000
BASE ESTIMATE 2009/10	-	86,097.9	-	86,097.9
<u>Adjustments To Base</u>				
Pay Inflation 1% in 2009/10	(347.3)		(347.3)	
		(347.3)		(347.3)
<u>Transfers Between Departments</u>				
Finance – CADT Posts	-		40.2	
Law, HR, Asset Mgt – Admin Buildings 2010/11	-		-	
		-		40.2
<u>Inflation</u>				
Pay	-		403.7	
Income	-		(609.3)	
		-		(205.9)
<u>Increased Expenditure</u>				
Personal Care at Home	-		2,600.0	
Reform Team from Social Care Grant	-		350.0	
Learning Disabilities	173.0			
Insurance	-		50.1	
Local Pay Review	288.9		292.7	
Area Based Grant-funded spend	-		32.0	
Support Services	5.0		-	
		466.9		3,324.8
<u>Reduced Expenditure</u>				
Capital Charges	(718.5)		(718.5)	
In-House Supported Living	-		(347.0)	
Energy Contracts	(130.7)		(261.4)	
Transport Services	-		(180.0)	
Support Services	-		(112.5)	
Administrative Buildings	(4.4)		(3.8)	
		(853.6)		(1,623.2)
<u>Increased Income</u>				
Social Care Reform Grant	-		(350.0)	
		-		(350.0)
ESTIMATE 2009/10 and 2010/11		85,363.9		86,936.5

ADULT SOCIAL SERVICES	Base	Current	Base
SUBJECTIVE SUMMARY	Estimate	Estimate	Estimate
	2009/10	2009/10	2010/11
	£	£	£
<u>Expenditure</u>			
Employees	30,902,300	32,644,200	32,564,900
Premises	1,941,800	1,660,800	1,170,200
Transport	2,568,300	2,696,600	2,543,800
Supplies and Services	82,176,400	80,906,200	83,965,100
Third Party Payments	3,463,300	3,500,100	3,500,100
Transfer Payments	104,500	104,500	104,500
Support Services	15,228,700	19,637,300	25,061,200
Financing Costs	1,902,500	3,974,500	1,181,300
	138,287,800	145,124,200	150,091,100
<u>LESS Income</u>			
Government Grants	(41,000)	(4,297,900)	(1,918,000)
Other Grants and Reimbursements	(9,732,700)	(11,010,000)	(11,010,000)
Customer and Client Receipts	(20,646,600)	(20,450,300)	(21,236,900)
Recharge to Other Revenue Accounts	(21,769,600)	(24,002,100)	(28,989,700)
	(52,189,900)	(59,760,300)	(63,154,600)
ADULT SOCIAL SERVICES TOTAL	86,097,900	85,363,900	86,936,500

ADULT SOCIAL SERVICES	Base Estimate 2009/10	Current Estimate 2009/10	Base Estimate 2010/11
OBJECTIVE SUMMARY	£	£	£
<u>FINANCE AND PERFORMANCE</u>			
Management	-	-	-
Property Management	316,700	55,400	48,700
Savings	(3,770,800)	-	-
Finance Support	-	-	-
Service Manager	983,400	-	-
Westminster House	-	-	-
<u>INTEGRATED COMMUNITIES & WELLBEING</u>			
I C and W Support	-	95,500	95,800
Service Manager	-	-	-
Assessment and Care Management	1,080,800	1,071,800	1,075,700
Community Care	3,732,100	4,490,100	4,542,400
<u>REFORM TEAM</u>			
Reform Team Support	-	-	-
<u>ACCESS & ASSESSMENT</u>			
Service Manager	-	-	-
Bebington and West Wirral Locality	18,822,600	17,360,100	17,859,100
Birkenhead Locality	16,710,100	15,428,100	15,959,100
Wallasey Locality	11,616,400	10,761,100	11,426,000
Mental Health	5,986,700	5,564,100	5,610,800
Learning Disabilities	9,845,800	9,897,600	9,997,800
Equipment and Adaptations	1,428,200	1,283,900	1,286,700
Home Care	-	419,600	425,500
Emergency Duty Team	129,700	314,800	358,700
Other Services	772,300	684,600	694,000
<u>DIRECT LOCALITY SUPPORT SERVICES</u>			
Service Manager	-	-	-
Day Care	6,168,500	6,733,300	6,642,200
Residential Homes	9,339,300	7,938,600	7,962,700
Supported Employment	834,700	974,600	973,400
Supported Living	2,101,400	2,290,700	1,977,900
Transport	-	-	-
ADULT SOCIAL SERVICES TOTAL	86,097,900	85,363,900	86,936,500

CHILDREN & YOUNG PEOPLE DEPT	Current Estimate 2009/10	Base Estimate 2010/11	£000	£000
BUDGET CHANGES			£000	£000
BASE ESTIMATE 2009/10			77,249.9	77,249.9
<u>Adjustment To Base</u>				
Pay Inflation 1% in 2009/10	(312.3)	(312.3)		
			(312.3)	(312.3)
<u>Transfers Between Departments</u>				
Law, HR and Asset Mgt – Solicitor	(30.0)	(30.0)		
Finance – Multi Systemic Therapy	-	(7.0)		
Law, HR, Asset Mgt – Admin Bldgs 2010/11	-	-		
Finance – Schools Maintenance	850.0	850.0		
Finance – CADT Posts	-	75.3		
Corporate Services – Area Forums	10.0	10.0		
			830.0	898.3
<u>Inflation</u>				
Pay	-	448.0		
Income	-	(23.4)		
			-	424.6
<u>Increased Expenditure</u>				
Further Education - Learning and Skills Council	-	17,237.9		
Private Finance Initiative	-	1,221.6		
Local Pay Review	174.4	176.5		
Area Based Grant-funded spend	29.1	-		
Support Services	8.6	-		
			212.1	18,636.0
<u>Reduced Expenditure</u>				
Energy Contracts	(61.2)	(122.4)		
Area Based Grant-funded spend	-	(404.3)		
Capital Charges	(404.3)	(404.3)		
Residential Care Option 2009/10	-	(280.0)		
Support Services	-	(495.6)		
Administrative. Buildings	(5.2)	(40.0)		
Insurance	-	(65.5)		
			(470.7)	(1,842.1)

<u>Increased Income</u>			
Further Education – Grant	-	-	(17,237.9)
Support Services to Schools	-	-	(34.6)
			(17,272.5)
ESTIMATE 2009/10 and 2010/11		77,509.0	77,811.9

CHILDREN & YOUNG PEOPLE	Base	Current	Base
SUBJECTIVE SUMMARY	Estimate	Estimate	Estimate
	2009/10	2009/10	2010/11
	£	£	£
<u>Expenditure</u>			
Employees	38,861,800	39,861,400	40,160,300
Premises	1,275,000	2,091,900	1,632,300
Transport	3,937,500	3,886,000	3,947,200
Supplies and Services	24,490,000	24,384,700	24,097,600
Third Party Payments	8,217,200	8,238,700	26,768,200
Transfer Payments	2,121,600	2,493,400	2,418,600
Support Services	19,751,900	19,937,300	18,574,800
Financing Costs	13,146,400	16,053,000	15,740,300
	111,801,400	116,946,400	133,339,300
<u>LESS Income</u>			
Government Grants	(7,511,100)	(10,623,100)	(12,061,000)
Other Grants and Reimbursements	(4,690,600)	(5,351,000)	(21,164,200)
Customer and Client Receipts	(688,800)	(815,200)	(1,044,700)
Recharge to Other Revenue Accounts	(21,661,000)	(22,648,100)	(21,257,500)
	(34,551,500)	(39,437,400)	(55,527,400)
CHILDREN & YOUNG PEOPLE TOTAL	77,249,900	77,509,000	77,811,900

CHILDREN & YOUNG PEOPLE	Base Estimate 2009/10	Current Estimate 2009/10	Base Estimate 2010/11
OBJECTIVE SUMMARY	£	£	£
<u>CHILDREN'S SERVICES</u>			
Looked After Child Educational Services	207,100	222,600	227,300
Adoption Services	928,800	924,400	926,500
Assessment and Care Management	24,132,200	24,048,100	23,550,800
Childrens Fund	1,206,900	1,205,400	1,276,000
Childrens Homes	2,651,000	2,583,000	2,594,000
Family Centres	2,781,300	2,759,600	2,764,000
Foster/Family Placements	1,586,000	1,578,600	1,571,600
Home Care	556,900	556,900	556,900
Leaving Care	1,042,900	1,037,400	1,003,700
Service Manager	144,100	127,400	466,400
Youth Offending Service	1,273,600	1,219,900	1,223,400
Carers Grant	373,100	373,100	396,400
Multi Disciplinary Area Teams	467,300	464,800	540,900
Aiming Higher for Disabled Children	-	-	-
<u>LEA SCHOOL COSTS</u>			
Regulation	2,625,100	2,625,100	2,699,300
Premature Retirement Costs	3,515,700	3,515,700	3,518,700
Other SEN Costs	119,900	119,900	228,500
School Improvement	4,464,300	4,464,300	3,686,500
Asset Management	2,676,800	3,525,800	4,747,700
Home to School Transport	4,937,500	4,924,000	5,019,000
Pupil Support	5,700	5,700	5,700
Oaklands Centre	81,200	72,500	59,600
Social Welfare Service	870,600	861,200	893,500
Psychology Service	1,301,400	1,292,000	1,338,300
Curriculum Advice	210,800	204,100	215,400
<u>MANAGEMENT & SUPPORT SERVICES</u>			
Inspect & Advisory Service	(12,000)	91,200	(378,700)
Building Cleaning DSO	-	(8,400)	-
Hamilton Building	-	(17,800)	-
Solar Building	-	(4,200)	-
Debt Management	11,367,600	11,013,400	11,005,600
Professional Development Centre	(2,500)	(7,800)	(3,000)

NON SCHOOL COSTS

Adult & Community Learning	105,300	99,800	106,000
Student Support	321,300	339,500	311,500
Youth Service	2,563,800	2,549,500	2,466,600
Community Services	577,500	576,000	582,200
Positive Activities for Young People	-	582,400	827,800
Instrumental Music Services	-	(10,300)	-
LEA Initiatives	84,400	92,300	84,600
Merseyside Connexions	4,084,300	3,501,900	3,299,200
CHILDREN & YOUNG PEOPLE TOTAL	77,249,900	77,509,000	77,811,900

CORPORATE SERVICES	Current Estimate 2009/10		Base Estimate 2010/11	
BUDGET CHANGES	£000	£000	£000	£000
BASE ESTIMATE 2009/10	-	5,649.4	-	5,649.4
<u>Adjustments To Base</u>				
Pay Inflation 1% in 2009/10	(32.3)		(32.3)	
		(32.3)		(32.3)
<u>Transfers Between Departments</u>				
Finance – West Wirral Schemes	200.0		200.0	
Children – Area Forums	(10.0)		(10.0)	
		190.0		190.0
<u>Inflation</u>				
Pay	-		38.4	
Income	-		(0.4)	
		-		38.0
<u>Increased Expenditure</u>				
Local Pay Review	15.9		15.9	
Area Based Grant-funded spend	22.5		114.0	
Capital Charges	29.5		29.5	
Support Services	1.7		17.4	
		69.6		176.8
<u>Reduced Expenditure</u>				
You Decide Option 2009/10	-		(260.0)	
Support for Micro Businesses Option 2009/10	-		(50.0)	
Insurance	-		(46.4)	
Administrative. Buildings	-		(2.2)	
		-		(358.6)
ESTIMATE 2009/10 and 2010/11	-	5,876.7	-	5,663.3

CORPORATE SERVICES	Base	Current	Base
SUBJECTIVE SUMMARY	Estimate	Estimate	Estimate
	2009/10	2009/10	2010/11
	£	£	£
<u>Expenditure</u>			
Employees	3,198,700	3,172,500	3,161,800
Premises	24,700	224,700	224,700
Transport	25,900	25,900	25,900
Supplies and Services	1,041,100	1,323,700	997,900
Third Party Payments	694,600	834,800	774,500
Transfer Payments	398,600	398,600	398,600
Support Services	1,215,100	1,216,800	1,326,300
Financing Costs	412,100	441,600	441,600
	7,010,800	7,638,600	7,351,300
<u>LESS</u> Income			
Government Grants	-	(250,300)	(139,900)
Other Grants and Reimbursements	(209,300)	(209,300)	(209,300)
Customer and Client Receipts	(200)	(200)	(200)
Interest	(3,000)	(3,000)	(3,000)
Recharge to Other Revenue Accounts	(1,148,900)	(1,299,100)	(1,335,600)
	(1,361,400)	(1,761,900)	(1,688,000)
CORPORATE SERVICES TOTAL	5,649,400	5,876,700	5,663,300

CORPORATE SERVICES	Base Estimate 2009/10 £	Current Estimate 2009/10 £	Base Estimate 2010/11 £
OBJECTIVE SUMMARY			
<u>CENTRAL SERVICES</u>			
Central Support Administration	-	-	-
<u>CORPORATE POLICY</u>			
Grants to Voluntary Bodies	550,300	540,300	540,300
Performance Management & Consultation	1,420,400	1,404,400	1,205,300
Merseyside Information Service	101,600	101,600	101,600
<u>STRATEGIC DEVELOPMENT</u>			
Economic & Strategic Development	2,190,200	2,216,200	2,187,200
West Wirral Schemes	-	200,000	200,000
<u>TOURISM AND MARKETING</u>			
Graphics / PR / Tourism	1,270,500	1,297,800	1,312,500
Tourism Events	116,400	116,400	116,400
Tourism ERDF	-	-	-
CORPORATE SERVICES TOTAL	5,649,400	5,876,700	5,663,300

FINANCE	Current Estimate 2009/10	Base Estimate 2010/11		
BUDGET CHANGES	£000	£000	£000	£000
BASE ESTIMATE 2009/10		28,833.8		28,833.8
<u>Adjustments To Base</u>				
Pay Inflation 1% in 2009/10	(258.3)		(258.3)	
		(258.3)		(258.3)
<u>Transfers Between Departments</u>				
Corporate Services – West Wirral Schemes	(200.0)		(200.0)	
Regeneration – Cultural Services Works	(300.0)		(750.0)	
Law, HR, Asset Mgt – Planned Maintenance	(1,610.0)		(1,710.0)	
Children - Schools Maintenance	(850.0)		(850.0)	
Technical Services – Highways Maintenance	(1,000.0)		(1,000.0)	
Law, HR, Asset – Corporate Management	(2,062.3)		(2,154.5)	
Law, HR, Asset – External Audit	(659.7)		(673.0)	
Law, HR, Asset – Democratic Representation	(2,671.0)		(2,731.5)	
Law, HR, Asset – Admin Buildings 2010/11	-		-	
Children & Adults - CADT Posts	-		(115.5)	
Various Departments – Rates and Postage	(151.5)		(151.5)	
All Departments – Local Pay Review	(1,250.0)		(1,250.0)	
Children - Multi Systemic Therapy	-		7.0	
		(10,754.5)		(11,579.0)
<u>Inflation</u>				
Pay	-		343.3	
Income	-		(20.8)	
		-		322.5
<u>Increased Expenditure</u>				
Efficiency Investment Budget	-		2,600.0	
Housing Benefits	-		1,470.0	
One Stop Shops Maintenance	-		300.0	
Capital Finance Costs	-		2,900.0	
Local Pay Review	107.0		107.0	
Discretionary Rate Relief	80.0		80.0	
		187.0		7,457.0

<u>Reduced Expenditure</u>			
Efficiency Investment Budget – To Depts	(125.8)	(290.9)	
Software Management Staffing	-	(170.0)	
Procurement Savings	-	(700.0)	
Energy Contracts	(56.7)	(113.4)	
Support Services	(72.0)	-	
Administrative Buildings	(3.2)	(4.7)	
Insurance	-	(6.8)	
	(257.7)		(1,285.8)
<u>Increased Income</u>			
Recharge to Pension Fund	-	(42.4)	
		-	(42.4)
<u>Reduced Income</u>			
Capital Charges	3,373.3	3,373.3	
Support Services	-	967.9	
	3,373.3		4,341.2
ESTIMATE 2009/10 and 2010/11	21,123.6		27,789.3

FINANCE	Base	Current	Base
SUBJECTIVE SUMMARY	Estimate	Estimate	Estimate
	2009/10	2009/10	2010/11
	£	£	£
<u>Expenditure</u>			
Employees	28,893,000	29,172,600	28,853,000
Premises	1,389,800	1,187,600	726,300
Transport	188,200	179,700	179,700
Supplies and Services	6,824,300	6,713,600	6,112,800
Third Party Payments	10,173,900	9,980,600	9,848,700
Transfer Payments	133,013,100	147,776,900	148,182,600
Support Services	21,456,700	15,174,000	18,583,700
Financing Costs	27,766,900	24,398,200	26,377,700
	229,705,900	234,583,200	238,864,500
<u>LESS</u> Income			
Government Grants	(130,940,600)	(145,970,000)	(145,476,300)
Other Grants and Reimbursements	(794,100)	(795,400)	(709,200)
Customer and Client Receipts	(2,911,700)	(2,911,700)	(2,894,200)
Interest	(1,260,000)	(1,260,000)	(700,000)
Recharge to Other Revenue Accounts	(64,965,700)	(62,522,500)	(61,295,500)
	(200,872,100)	(213,459,600)	(211,075,200)
FINANCE TOTAL	28,833,800	21,123,600	27,789,300

FINANCE	Base Estimate	Current Estimate	Base Estimate
OBJECTIVE SUMMARY	2009/10	2009/10	2010/11
	£	£	£
<u>BENEFITS, REVENUES & CUSTOMER SERVICES</u>			
Benefits	8,632,700	8,542,700	10,490,800
Call Centre	-	-	-
Council Tax	4,602,000	4,676,400	4,830,200
Customer Services Development	255,100	249,800	261,000
Income	354,200	354,300	349,600
One Stop Shops	130,700	100,000	400,000
<u>CHANGE MANAGEMENT</u>			
Change Management	676,400	671,300	675,800
<u>FINANCIAL SERVICES</u>			
Financial Services	-	-	-
<u>INTERNAL AUDIT</u>			
Internal Audit	-	-	-
<u>IT SERVICES</u>			
Administrative Buildings	-	-	-
Business Architecture	-	-	-
Central Telephones	-	-	-
Infrastructure	-	-	-
IT Services	-	-	750,000
IT Quality Services	-	(141,300)	-
IT Technical Support Services	-	-	-
Printing	-	-	-
Superstructure	-	-	-
<u>OTHER OPERATIONS</u>			
Efficiency Fund	5,307,000	1,886,000	5,300,000
Pensions and Funding Costs	3,298,300	4,571,900	3,545,600
<u>PENSION FUND</u>			
Pension Fund	-	-	-

SUPPORT SERVICES

Central Administration	-	-	-
Information Management	499,200	493,700	539,300
Management	-	-	-
Pay & Tax Control	-	-	-
Procurement	30,000	41,300	-

TREASURY MANAGEMENT

Former Treasury Management	5,336,900	-	-
Treasury Management	(288,700)	(322,500)	647,000

FINANCE TOTAL	28,833,800	21,123,600	27,789,300
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LAW, HR, ASSET MANAGEMENT	Current Estimate 2009/10	Base Estimate 2010/11	
BUDGET CHANGES	£000	£000	£000
BASE ESTIMATE 2009/10		2,479.5	2,479.5
<u>Adjustments To Base</u>			
Pay Inflation 1% in 2009/10	(72.8)	(72.8)	
		(72.8)	(72.8)
<u>Transfers Between Departments</u>			
Finance – Planned Maintenance	1,610.0	1,710.0	
Finance – Corporate Management	2,062.3	2,154.5	
Finance – External Audit	659.7	673.0	
Finance – Democratic Representation	2,671.0	2,731.5	
Children – Solicitor	30.0	30.0	
Finance – Rates and Postage	30.5	30.5	
Technical – Managed Properties	-	8.4	
All – Admin Buildings 2010/11	-	-	
		7,063.5	7,337.9
<u>Inflation</u>			
Pay	-	101.5	
Income	-	(35.2)	
		-	66.3
<u>Increased Expenditure</u>			
Efficiency Investment Budget Reallocation	55.8	95.5	
Local Pay Review	38.8	38.8	
Area Based Grant-funded spend	2.0	2.0	
Support Services	5.1	-	
		101.7	136.3
<u>Reduced Expenditure</u>			
Capital Charges	(1,280.1)	(1,280.1)	
Energy Contracts	(65.2)	(130.4)	
Administrative. Buildings	(0.6)	-	
Insurance	-	(45.4)	
		(1,345.9)	(1,455.9)
<u>Increased Income</u>			
Support Services	-	(173.0)	
		-	(173.0)
ESTIMATE 2009/10 and 2010/11		8,226.0	8,318.3

LAW, HR, ASSET MANAGEMENT	Base Estimate	Current Estimate	Base Estimate
SUBJECTIVE SUMMARY	2009/10	2009/10	2010/11
	£	£	£
<u>Expenditure</u>			
Employees	7,742,200	7,781,600	8,337,600
Premises	1,079,100	2,648,400	5,521,400
Transport	72,200	72,200	73,200
Supplies and Services	1,778,800	2,613,500	2,658,000
Third Party Payments	685,300	861,700	836,800
Support Services	3,413,300	7,736,800	7,884,900
Financing Costs	1,856,400	604,400	1,159,800
	16,627,300	22,318,600	26,471,700
<u>LESS Income</u>			
Government Grants	(60,400)	(60,400)	(60,400)
Other Grants and Reimbursements	(121,200)	(121,200)	(121,200)
Customer and Client Receipts	(2,251,300)	(2,251,300)	(2,514,400)
Interest	(10,000)	(10,000)	(10,000)
Recharge to Other Revenue Accounts	(11,704,900)	(11,649,700)	(15,447,400)
	(14,147,800)	(14,092,600)	(18,153,400)
LAW, HR , ASSET MGT TOTAL	2,479,500	8,226,000	8,318,300

LAW, HR, ASSET MANAGEMENT	Base Estimate	Current Estimate	Base Estimate
OBJECTIVE SUMMARY	2009/10	2009/10	2010/11
	£	£	£
<u>ASSET MANAGEMENT</u>			
Administrative Buildings	-	-	-
Corporate Assets	1,371,700	35,500	35,500
Disabled Access	-	100,000	100,000
Estates Management	515,700	558,600	550,000
Managed Properties	(654,400)	(638,300)	(692,600)
Property Maintenance	-	1,510,000	1,610,000
<u>CENTRAL SERVICES</u>			
Central Support Administration	-	-	-
Wallasey Complex Management	46,400	4,200	90,800
<u>HUMAN RESOURCES</u>			
Human Resources	48,500	51,200	-
<u>LEGAL & DEMOCRATIC</u>			
Coroners	436,900	435,900	437,500
Electoral & Member Services	467,400	466,000	455,600
Legal Services	46,400	88,600	-
Registrar	200,900	198,100	154,400
<u>CORPORATE AND DEMOCRATIC CORE</u>			
Corporate Management	-	3,282,300	3,415,600
Democratic Representation and Management	-	2,133,900	2,161,500
LAW, HR, ASSET MGT TOTAL	2,479,500	8,226,000	8,318,300

REGENERATION	Current Estimate 2009/10		Base Estimate 2010/11	
BUDGET CHANGES	£000	£000	£000	£000
BASE ESTIMATE 2009/10		46,511.7		46,511.7
<u>Adjustment To Base</u>				
Pay Inflation 1% in 2009/10	(297.5)		(297.5)	
		(297.5)		(297.5)
<u>Transfers Between Departments</u>				
Finance – Cultural Services Works	300.0		750.0	
Finance – Rates	100.0		100.0	
Law, HR, Asset Mgt – Admin Bldg 2010/11	-		-	
		400.0		850.0
<u>Inflation</u>				
Pay	-		361.1	
Income	-		(255.6)	
		-		105.5
<u>Increased Expenditure</u>				
Area Based Grant-funded spend	807.0		10,548.3	
Libraries	830.0		830.0	
Libraries- Maintenance			1,200.0	
Efficiency Investment Budget Reallocation	70.0		90.0	
Local Pay Review	585.2		586.5	
Support Services	40.1		55.1	
		2,332.3		13,309.9
<u>Reduced Expenditure</u>				
Strategic Asset Review			(1,835.0)	
Energy Contracts	(336.4)		(672.8)	
Capital Charges	(1,081.4)		(1,081.4)	
Administrative. Buildings	(5.3)		(84.1)	
Insurance	-		(55.2)	
Community Asset Transfer Option 2009/10	-		(50.0)	
		(1,423.1)		(3,778.5)
<u>Increased Income</u>				
Floral Pavilion - Income adjustment	-		(85.1)	
		-		(85.1)

Reduced Income

West Kirby – Invest to Save Scheme

55.0

55.0

55.0

55.0

ESTIMATE 2009/10 and 2010/11

47,578.4

56,671.0

REGENERATION	Base	Current	Base
SUBJECTIVE SUMMARY	Estimate	Estimate	Estimate
	2009/10	2009/10	2010/11
	£	£	£
<u>Expenditure</u>			
Employees	29,719,100	30,176,800	30,594,300
Premises	11,259,400	7,986,900	9,012,800
Transport	1,707,400	1,173,300	1,169,800
Supplies and Services	16,825,200	18,619,300	17,761,500
Third Party Payments	9,035,400	9,105,400	9,124,200
Transfer Payments	(377,800)	613,600	(1,129,500)
Support Services	11,674,400	12,000,000	11,979,900
Financing Costs	6,693,900	21,320,700	21,286,500
	86,537,000	101,016,000	99,799,500
<u>LESS</u> Income			
Government Grants	(13,735,200)	(29,185,200)	(18,844,200)
Other Grants and Reimbursements	(1,017,000)	(1,017,000)	(1,028,600)
Customer and Client Receipts	(10,561,700)	(11,809,100)	(12,139,600)
Interest	(1,500)	(1,500)	(1,500)
Recharge to Other Revenue Accounts	(14,709,900)	(11,404,800)	(11,114,600)
	(40,025,300)	(53,417,600)	(43,128,500)
REGENERATION TOTAL	46,511,700	47,578,400	56,671,000

REGENERATION	Base	Current	Base
OBJECTIVE SUMMARY	Estimate	Estimate	Estimate
	2009/10	2009/10	2010/11
	£	£	£
<u>HOUSING AND REGENERATION SERVICES</u>			
Housing Market Renewal Initiative	179,900	200,400	235,900
Housing Strategy	649,900	649,200	660,300
Private Sector Housing	747,200	242,600	249,100
Regeneration Implementation	1,132,900	655,200	676,400
Rehousing Services	844,700	822,000	868,500
Supporting People	1,378,200	1,713,800	12,074,900
Tranmere Together	350,000	350,000	350,000
Working Neighbourhoods Fund	9,909,200	10,713,000	10,117,600
<u>REGULATORY SERVICES</u>			
Community Safety	2,105,900	2,116,600	2,086,700
Environmental Health	2,801,500	2,720,400	2,722,800
Licensing	67,700	63,600	53,300
Neighbourhood Nuisance	217,600	242,300	303,100
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 & Consumer Advice	894,100	893,800	894,900
<u>CULTURE & HERITAGE</u>			
Art Galleries and Museums	987,500	970,000	960,500
Theatre, Arts and Culture	1,253,100	1,149,400	1,007,600
Tramway	173,800	163,500	156,800
<u>LIBRARY SERVICE</u>			
Bebington Complex Management Halls	-	(17,900)	-
Halls	724,900	713,900	701,000
Libraries	6,625,800	6,637,700	7,729,000
<u>PARKS & OPEN SPACES</u>			
Allotments	44,300	43,500	42,700
Beach Lifeguards	323,100	350,600	352,300
Birkenhead Park	548,600	535,900	533,500
Cemeteries and Crematorium	154,900	205,200	40,800
Golf	(76,200)	(71,200)	(95,800)
Parks and Open Spaces	5,074,200	4,583,000	4,631,600
Ranger Service	910,000	876,900	900,000

SPORT & RECREATION

Health & Sports Grant Funded Initiatives	9,400	14,300	16,000
Sports Centres	7,943,900	8,143,400	7,844,400
Sports Development	237,900	256,800	260,000

COMMUNITY SERVICES

Community Services	1,627,700	1,573,900	1,546,500
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SUPPORT SERVICES

Support Services	-	300,000	750,000
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AGREED SAVINGS

Strategic Asset Review	(637,000)	354,400	(1,388,700)
Service Re-Engineering	(777,100)	(777,100)	(777,100)
Vacancy Control	(89,400)	15,800	(7,100)

REGENERATION TOTAL	46,511,700	47,578,400	56,671,000
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TECHNICAL SERVICES	Current Estimate 2009/10	Base Estimate 2010/11	
BUDGET CHANGES	£000	£000	£000
BASE ESTIMATE 2009/10		41,921.5	41,921.5
<u>Adjustments To Base</u>			
Pay Inflation 1% in 2009/10	(126.8)	(126.8)	
		(126.8)	(126.8)
<u>Transfers Between Departments</u>			
Finance – Highways Maintenance	1,000.0	1,000.0	
Finance - Rates	21.0	21.0	
Law, HR, Asset Mgt – Admin Buildings 2010/11	-	-	
Law, HR, Asset Mgt – Managed Properties		(8.4)	
		1,021.0	1,012.6
<u>Inflation</u>			
Pay	-	159.2	
Income	-	(90.7)	
			68.5
<u>Increased Expenditure</u>			
Waste Disposal Authority Levy	-	565.0	
Office Waste Collection	-	70.0	
Efficiency Investment Budget Reallocation	-	100.0	
Local Pay Review	43.6	44.2	
Area Based Grant-funded spend	-	7.0	
Capital Charges	83.8	81.5	
Support Services	15.5	-	
Administrative. Buildings	16.8	49.6	
Winter Maintenance	250.0		
		409.7	917.3
<u>Reduced Expenditure</u>			
Street Lighting Contract Option 2009/10	(180.0)	(180.0)	
Insurance	-	(210.6)	
Energy Contracts	(42.1)	(156.7)	
Support Services	-	(225.7)	
		(222.1)	(773.0)
<u>Reduced Income</u>			
Waste Infrastructure Grant		-	90.7
ESTIMATE 2009/10 and 2010/11		43,003.3	43,110.8

TECHNICAL SERVICES	Base	Current	Base
SUBJECTIVE SUMMARY	Estimate	Estimate	Estimate
	2009/10	2009/10	2010/11
	£	£	£
<u>Expenditure</u>			
Employees	10,252,300	11,165,800	11,111,500
Premises	10,105,000	10,031,000	8,521,400
Transport	1,632,900	1,661,000	1,636,300
Supplies and Services	2,446,300	2,641,300	2,433,400
Third Party Payments	30,456,700	30,456,700	31,087,400
Transfer Payments	8,400	33,400	33,400
Support Services	8,374,600	9,090,400	8,591,700
Financing Costs	3,025,200	3,399,400	3,356,100
	66,301,400	68,479,000	66,771,200
<u>LESS</u> Income			
Government Grants	(50,000)	(11,000)	(11,000)
Other Grants and Reimbursements	(312,700)	(351,700)	(261,000)
Customer and Client Receipts	(10,801,700)	(12,145,300)	(11,959,000)
Recharge to Other Revenue Accounts	(13,215,500)	(12,967,700)	(11,429,400)
	(24,379,900)	(25,475,700)	(23,660,400)
TECHNICAL SERVICES TOTAL	41,921,500	43,003,300	43,110,800

TECHNICAL SERVICES	Base Estimate	Current Estimate	Base Estimate
OBJECTIVE SUMMARY	2009/10	2009/10	2010/11
	£	£	£
<u>PLANNING & BUILDING DESIGN</u>			
Building Control	595,800	615,100	590,100
Design Consultancy	-	(24,000)	134,400
Planning Development	316,700	332,500	312,000
<u>TRANSPORT</u>			
Transport	20,000	20,000	20,000
<u>ENGINEERS</u>			
Car Parks	(1,759,400)	(1,745,100)	(1,845,300)
Drainage & Sea Defences	871,200	813,700	802,200
Emergency Planning	472,700	480,800	438,900
Highway Maintenance	7,509,400	8,520,900	8,058,300
Levies & Financing	153,700	153,700	153,700
Street Lighting	2,625,600	2,639,600	2,635,100
Traffic	2,087,000	2,096,500	1,994,800
<u>SUPPORT SERVICES</u>			
Administration & Management	-	-	-
Administrative Buildings	-	-	-
<u>WASTE & ENVIRONMENTAL SERVICES</u>			
Waste Disposal Authority Levy	16,479,500	16,479,500	17,044,500
Waste & Environmental Services	12,549,300	12,620,100	12,772,100
TECHNICAL SERVICES TOTAL	41,921,500	43,003,300	43,110,800

APPENDIX B

WIRRAL COUNCIL

CAPITAL PROGRAMME

2009/13

WIRRAL COUNCIL

CAPITAL PROGRAMME 2009/13

SUMMARY

The Capital Programme for 2009/13 is included on the following pages and incorporates the resolution of Cabinet on 9 December 2009 that was approved by Council on the 14 December 2009.

CABINET 9 DECEMBER 2009

Minute 225 - CAPITAL PROGRAMME AND FINANCING

A report by the Director of Finance set out a draft Capital Programme for 2009/13 for consideration by the Cabinet and referral to the Council for approval. It also included the related capital financing requirements based upon the prudential indicators that inform the Treasury Management Strategy.

Resolved – That it be recommended to Council:

- (1) the new submissions, as detailed in section 7.2 of the report by the Director of Finance, be approved.
- (2) the re-allocation of schemes to revenue, with any associated funding, as detailed in section 7.3.1 of the report be approved.
- (3). the removal from the programme of the schemes, detailed in section 7.3.2, be approved.
- (4) if the changes are approved, the capital financing requirements be reflected in the Projected Budget.
- (5) the Prudential Indicators be noted and reported as part of the Treasury Management Strategy in February 2010.
- (6) update reports on the progress of the programme be presented in accordance with the Performance and Financial Monitoring reporting cycle.
- (7) a report be presented to the Cabinet at its meeting on 14 January 2010 on building maintenance requirements to include the review of Regeneration - Cultural Services facilities.
- (8) the options for funding building maintenance be presented to the Cabinet at its meeting on 14 January 2010.

COUNCIL 14 DECEMBER 2009

At its meeting on 14 December 2009 the Council approved the Capital Programme as required by the Constitution.

UPDATE ON THE CAPITAL PROGRAMME 2009/13

The revenue implications of the agreed capital programme, including those from Invest-to-Save schemes and the transfer of schemes to revenue, are reflected in the budget projections over the period of the programme.

Further to Council approval of the programme in December 2009 the Government issued the Local Government Finance Settlement which incorporated announcements on the support towards the Council Capital Programme. This was referred to in reports to Cabinet on 14 January 2010 including the Local Transport Plan Programme 2010/11 and this approval has been reflected in the programme.

Central Government support is known as Supported Capital Expenditure (SCE) with revenue support for capital borrowing (SCE(R)) paid to the Council as part of Formula Grant. The support for 2009/10-2010/11 remains as per the earlier notifications from Government with 2011/12 assumed at 2010/11 levels:-

	2009/10	2010/11	2011/12
	£000	£000	£000
Children & Young People	4,355	1,859	1,859
Non Trading Transport	2,992	3,441	3,441
Total SCE(R)	7,347	5,300	5,300

Grant support from Government Departments and agencies has been included based upon the latest notifications and now includes the North West Development Agency support for the New Brighton Development Phase 2 and the Government support for the Mersey Heartlands Growth Point scheme.

WIRRAL COUNCIL

CAPITAL PROGRAMME 2009/13

POSITION AS AT 31 JANUARY 2010

SUMMARY	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Expenditure				
Adult Social Services	3,533	471	141	0
Children & Young People	47,759	43,527	17,643	10,743
Corporate Services	3,048	2,050	300	300
Law, HR & Asset Management	1,842	1,600	1,500	1,500
Regeneration	23,385	19,802	17,612	17,612
Technical Services	12,222	11,145	9,702	8,735
Total Expenditure	91,789	78,595	46,898	38,890
Resources				
General Resources	11,873	12,040	8,636	7,669
Supported Borrowing	10,092	5,300	5,300	5,300
General Resources	21,965	17,340	13,936	12,969
Grants – Education	38,922	41,300	15,466	8,566
Grants – HMRI	7,265	7,485	7,485	7,485
Grants - Regional Housing Pot	5,241	4,577	4,577	4,577
Grants - Local Transport Plan	3,515	4,243	4,243	4,243
Grants – Other	14,381	3,300	891	750
Revenue, reserves contributions	500	350	300	300
Specific Resources	69,824	61,255	32,962	25,921
Total Identified Resources	91,789	78,595	46,898	38,890

General Resources	£000	£000	£000	£000
<u>Borrowing</u>				
Supported Capital Expenditure	10,092	5,300	5,300	5,300
Unsupported Capital Expenditure	7,873	9,040	5,636	4,669
<u>Capital Receipts</u>	4,000	3,000	3,000	3,000
Total General Resources	21,965	17,340	13,936	12,969

ADULT SOCIAL SERVICES	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Expenditure				
Information Management	127	134	141	0
Mental Health Single Capital Pot	348	173	0	0
Social Care Single Capital Pot	328	164	0	0
Extra Care Housing facility	2,730	0	0	0
Total Expenditure	3,533	471	141	0
Resources				
General Capital Resources	0	0	0	0
Grant Other	3,533	471	141	0
Total Identified Resources	3,533	471	141	0

CHILDREN & YOUNG PEOPLE	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Expenditure				
Children's Centres - Phase 3	1,390	178	0	0
City Learning Centres	527	0	0	0
Early Years Quality & Access	2,367	1,239	0	0
Aiming Higher - Disabled Child	252	359	0	0
Condition / Modernisation	8,238	2,479	3,679	3679
Formula Capital	5,833	4,592	4,592	4592
Extended Schools	783	301	301	301
Schools - Access Initiative	623	611	611	611
Schools - Harness Technology	2,581	1,310	1,310	1310
Schools - Property Works	580	0	0	0
Building Schools For The Future	19,373	7,454	0	0
Birkenhead High Girls Academy	450	11,370	0	0
Oaklands Centre	574	0	0	0
Private Finance Initiative	50	50	0	0
Primary Reorganisation - Surplus	250	250	250	250
Primary Schools Programme				
- Park Primary School	600	5,839	0	0
- Pensby Primary School	100	4,000	900	0
- Our Lady & St Edwards	406	0	0	0
School Meals Uptake & Quality	200	254	0	0
Practical Cooking Spaces	1,045	200	0	0
Co-Location Fund	168	759	0	0
Music Service	86	0	0	0
Playbuilder Programme	531	0	0	0
Play Lottery	100	100	0	0
Old Final Accounts	18	0	0	0

SEN and Disabilities	0	2,000	6,000	0
Youth Capital Fund	634	182	0	0
Total Expenditure	47,759	43,527	17,643	10,743

Resources

General Capital Resources	1,537	318	318	318
Supported Borrowing	7,100	1,859	1,859	1,859
Grant – Education	38,922	41,300	15,466	8,566
Revenue, reserves, contributions	200	50	0	0
Total Identified Resources	47,759	43,527	17,643	10,743

CORPORATE SERVICES	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000

Expenditure

Think Big Investment Fund	442	300	300	300
West Wirral Schemes	206	0	0	0
Destination West Kirby	1,100	150	0	0
Wirral Country Park	1,300	1,600	0	0
Total Expenditure	3,048	2,050	300	300

Resources

General Capital Resources	1,698	1,050	300	300
Grant – Other	1,350	1,000	0	0
Total Identified Resources	3,048	2,050	300	300

FINANCE	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000

Expenditure

Strategic Asset Review – IT	1,500	1,500	1,500	1,500
One Stop Shops	242	0	0	0
Total Expenditure	1,742	1,500	1,500	1,500

Resources

General Capital Resources	1,742	1,500	1,500	1,500
Total Identified Resources	1,742	1,500	1,500	1,500

LAW/HR/ASSET MGT	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Expenditure				
Microregeneration	100	100	0	0
Total Expenditure	100	100	0	0
Resources				
General Capital Resources	40	40	0	0
Grant – Other	60	60	0	0
Total Identified Resources	100	100	0	0

REGENERATION	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Expenditure				
Improvement to Stock	3,385	3,380	3,380	3,380
Clearance	8,721	8,682	8,682	8,682
Disabled Facilities - Adaptations	2,390	1,550	1,550	1,550
Adaptations - DFGs	0	500	0	0
Bidston Stream	250	0	0	0
Mersey Waterfront Reg Park	280	0	0	0
Working Wirral – SRB	1,600	0	0	0
Landican Mercury Abatement	1,500	1,983	0	0
Hoylelake Golf Course	450	0	0	0
Cultural Services Assets	0	2,000	4,000	4,000
CCTV / IT Project	0	530	0	0
Oval Centre - Artificial pitches	0	160	0	0
Europa Pool - Heating system	0	200	0	0
Mersey Heartlands Growth Pt	909	817	0	0
New Brighton Phase 2	3,900	0	0	0
Total Expenditure	23,385	19,802	17,612	17,612
Resources				
General Capital Resources	2,736	5,873	4,500	4,500
Grant – HMRI	7,265	7,485	7,485	7,485
Grants - Regional Housing Pot	5,241	4,577	4,577	4,577
Grants – Other	7,843	1,567	750	750
Revenue, reserves, contributions	300	300	300	300
Total Identified Resources	23,385	19,802	17,612	17,612

TECHNICAL SERVICES	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Expenditure				
LTP – Accessibility	150	150	150	150
LTP - Air Quality	1,500	950	950	950
LTP – Congestion	425	605	605	605
LTP - Roads, bridges, lighting	3,534	4,529	4,529	4,529
LTP - Road Safety	980	980	980	980
LTP - Transportation	579	470	470	470
Highway Structural	500	500	0	0
Street Lighting Columns	300	300	0	0
Coast Protection	55	55	55	55
Marine Lake	1,660	0	0	0
Highways Works	1,000	1,000	1,000	1,000
Bidston Viaduct (contribution)	615	1,304	967	0
Energy Schemes	186	0	0	0
Asset Management	85	0	0	0
Waste Infrastructure	653	202	0	0
Wirral Traffic Model (contribution)	0	100	0	0
Total Expenditure	12,222	11,145	9,702	8,735
Resources				
General Capital Resources	4,120	3,259	2,018	1,051
Supported Borrowing	2,992	3,441	3,441	3,441
Grants - Local Transport Plan	3,515	4,243	4,243	4,243
Grant – Other	1,595	202	0	0
Total Identified Resources	12,222	11,145	9,702	8,735

WIRRAL COUNCIL

CABINET

9 DECEMBER 2009

REPORT OF THE DIRECTOR OF FINANCE

CAPITAL PROGRAMME AND FINANCING 2009-2013

1. EXECUTIVE SUMMARY

- 1.1. This report provides Cabinet with a draft Capital Programme for 2009/13 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. CAPITAL STRATEGY

- 2.1 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.
- 2.2 The Capital Strategy is key to drawing 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.
- 2.3 The Capital Strategy was reviewed to reflect the revised Corporate Plan and was agreed by Cabinet on 24 September 2009. It considers issues at a strategic level and is used to determine the Capital Programme.

3. CAPITAL INVESTMENT PROGRAMME GUIDANCE DOCUMENT

- 3.1 To increase understanding of the capital programme across the Council the procedures and key guidance have, since 2005, been consolidated into one document. The latest version of the document was agreed by Cabinet on 23 July 2008 and 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.
- A number of key documents are incorporated as appendices including the Contract Procedure Rules.

- 3.2. Schemes identified are the subject of a Business Case which details how the proposed project meets Council objectives, how it will be managed, including resource implications and the outcomes expected. The various schemes are then prioritised using criteria that reflect the aims and objectives of the Corporate Plan,

4. **CAPITAL PROGRAMME**

- 4.1. The programme covers three years and is aligned to other 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.
- 4.2. The out-turn figures for 2009/10 are assumed to be in line with those reported to Cabinet. Capital receipts offer flexibility in their use to either balance the current programme or to address future budgetary issues. A year-end report for 2009/10 will be presented in June 2010 identifying the final spend and financing for the year.
- 4.3. In preparing the programme for 2010/13 the process has followed that set out in the Guidance document. All submissions for inclusion in the capital programme required the completion of a Business Case and have been assessed against the prioritisation criteria and recommendations made.
- 4.4. The general principle adopted was that existing schemes and programmes would continue. Consequently the programme reflects the fact that the investment into schools and the Local Transport Plan will be maintained. Similarly the external support in respect of the Housing Market Renewal Initiative is dependant upon a level of resources being input by the Authority. At this stage assumptions have been made upon the continuation of Government support beyond 2010/11. It is recognised that given the current economic climate, changes as a consequence of the Chancellor of the Exchequer's Pre-Budget Report and the next Comprehensive Spending Review will be influential upon the level of Government support and future programmes.
- 4.5. Financing is from a combination of borrowing (part of which is Supported Capital Expenditure and part Prudential Borrowing), grant, contributions from revenue and reserves and capital receipts. Further information on financing is contained in Section 5 of this report.
- 4.6. The prioritisation of schemes has been based upon the appraisal criteria linking the Corporate Plan and the Capital Strategy and approved by Cabinet on 24 September 2009. This is included at Appendix A. Appendix B details the on-going approved capital programme whilst Appendix C outlines the highest scoring capital submissions.

- 4.7. Another important aspect of the 2009 capital programme process is the need to address issues raised by the Audit Commission in the Annual Governance Report. The Commission highlighted a risk arising from Financial Reporting Standard (FRS) 15 in that items may be charged to capital when they should be classed as revenue expenditure.
- 4.8. Under FRS 15 capital expenditure is defined as expenditure incurred on the acquisition, creation or enhancement of an asset. Enhancement works are defined as leading to at least one of the following:
- Substantially lengthening the useful life of the asset
 - Substantially increasing the open market value of the asset
 - Substantially increasing the extent to which the asset can be used in connection with the functions of the Local Authority.
- Expenditure which purely maintains the useful life or open market value of an asset should be charged to revenue.
- 4.9. To comply with FRS 15 expenditure which does not clearly fit the definition will be removed from the capital programme and placed within revenue. The sums originally earmarked to fund the borrowing for this expenditure can be similarly transferred to fund the expenditure that will now be within the revenue budget. Appendix D details the schemes being transferred from the capital programme to revenue.
- 4.10. I have also removed from the capital programme those previously approved capital schemes which have not progressed and which were being funded through the use of Council borrowing. These schemes are detailed in Appendix D.

5. **CAPITAL FINANCING**

5.1. Supported Capital Expenditure

- 5.1.1. As part of the annual Local Government Finance Settlement local authorities are issued with a Supported Capital Expenditure (Revenue) (SCE(R)) figure. This is the total amount of borrowing that the Government is prepared to support. The funding to cover the revenue cost of this borrowing is distributed as part of the Formula Grant.
- 5.1.2. The figures are within the Local Government Finance Settlement which will not be confirmed until February 2010. It should be noted that Government departments do give indicative allocations which are not reflected in the Provisional Local Government Finance Settlement. Wirral currently expects to receive support for around £5 million of borrowing.

5.2. Prudential Borrowing (unsupported borrowing)

5.2.1. The Prudential Capital Finance system was introduced in 2004 and it allows local authorities to self-finance borrowing for capital expenditure without Government consent. The system seeks to facilitate 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.

5.2.2. As a rough guide, borrowing incurs a revenue cost of approximately 10% of the loan each year, comprising the interest charges and money set aside to cover the repayment of the debt. For a loan to be prudent the Council needs to be satisfied that it can afford this annual revenue cost which is a combination of interest charges and minimum revenue provision (MRP).

5.2.3. The Government has given local authorities greater freedom in the way that they provide for their debts. As mentioned above local authorities have to earmark revenues each year as provision for repaying debts incurred on capital projects. This "Minimum Revenue Provision" (MRP) regime changed on 31 March 2008 when the Government removed the complex MRP regulations in favour of a simple duty on each local authority to make provision for debt which the Authority considers prudent.

5.2.4. 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 (known as MRP option 3). 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.

5.3. Government Grants

5.3.1. These are specific to schemes and are therefore allocated in accordance with the terms of the grant approval, primarily being within the areas of Education and Regeneration. These include the Building Schools for the Future pathfinder scheme and the Housing Market Renewal Initiative. Changes in grant levels reflect the timing of individual initiatives.

5.3.2. Having regard to the implications of FRS 15 the Government is intending to review the grant arrangements to clarify whether the support constitutes support for capital or revenue expenditure. This is expected to form part of the Local Government Finance Settlement.

5.4. Revenue / Other Contributions

5.4.1. There is presently limited support for specific schemes. The Prudential Code allows for the use of additional revenue resources within agreed parameters.

5.4.2. Implementing the Strategic Asset Review will involve maximising opportunities for the provision of facilities with other local agencies. It is anticipated that, as the proposals are developed, contributions will be forthcoming from these partners although, at this stage, this has not been assumed.

5.5. Capital Receipts

5.5.1. 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. The Strategic Asset Review provides additional scope for receipts in the future.

5.5.2. The use of receipts has been estimated at £4 million for 2009/10 and £3 million for the next three years. This reflects the likely timing of such receipts and is based upon the latest projections of sites either available or which could become available over the period.

5.5.3. The Local Public Service Agreement resulted in the receipt of a reward grant with 50% of the sum to support capital schemes. This £2.1 million, as with capital receipts, provides flexibility over the timing and use of the resource.

6. MONITORING

6.1. Cabinet on 9 April 2009 agreed the process and timing of the Performance and Financial Monitoring reports. This includes a section on capital comparing progress against the approved programme.

6.2. Whilst a presentation is made to Cabinet at the end of each quarter a summary report plus the departmental reports of Chief Officers is placed in the Members Library. The departmental reports of Chief Officers are appended and provide greater detail on the progress of specific schemes within the programme. There are references to the approved programme, agreed variations, the latest forecasts concerning spend and the resourcing of schemes.

7. FINANCIAL IMPLICATIONS

7.1. Capital Programme commitments

7.1.1. The programme detailed in Appendix B incorporates all the committed schemes including those referred to in Section 4 above. This indicates the resources required to fund the existing, and planned, commitments.

7.1.2. The Capital Programme 2009/12 and Capital Financing Requirements 2009/10 were agreed by Cabinet on 10 December 2008 and updated as part of the Estimates 2009/10 reported to Cabinet on 23 February 2009.

- 7.1.3. On 25 June 2009 the Capital Out-turn and Determinations report was submitted as part of the year-end accounts for the 2008/09 financial year and detailed the slippage into the 2009/10 financial year.
- 7.1.4. On 23 July 2009 Cabinet approved updated resources for the Landican Crematorium scheme. Other variations in the year reflect additional grants such as the Early Years Quality Grant, Playbuilder Programme and Practical Cooking Spaces Programme.
- 7.1.5. On 1 October 2009 Cabinet recommended to Council the revocation of the decision to develop Neighbourhood Centres.
- 7.1.6. In summary the changes to the Capital Programme since it was originally approved have increased the 2009/10 programme from £80 million to £100 million. This reflects additional Government support by bringing schemes forward from future years which are within Children & Young People and Regeneration; the Adult Social Services programme now including the scheme at the former Mendell Lodge which is grant funded and the Cabinet decision to cease the investment into Neighbourhood Centres. The other main impact has been the slippage from 2008/09.

7.2. Capital Programme submissions

- 7.2.1. Appendix C details the ranking of the new schemes in accordance with the prioritisation criteria. When the previous programme was agreed this built in annual allocations such as Property Maintenance for the period of the programme. This has reduced the number of new submissions for subsequent years. Based on those now received the ranking would result in the following being included:-

NEW SUBMISSIONS FOR APPROVAL	2010/11	2011/12	2012/13
	£000	£000	£000
Cultural Services assets			
- Programme of investment to be developed	2,000	4,000	4,000
CCTV / IT project			
- To proceed if tenders realise savings	530	0	0
Adaptations			
- Additional to Disabled Facilities Grants	500	0	0
Oval Sports Centre			
- Improvements to artificial pitches	160	0	0
Europa Pool			
- Improved heating systems	200	0	0
Wirral Traffic Model (contribution)			
- Support Liverpool City Region scheme	100	0	0

7.2.3 A number of the submissions related to Cultural Services assets with the planned works comprising primarily of refurbishment and repair. The requirement for extensive investment was identified as part of the Strategic Asset Review and with the retention of a number of libraries there is an increased need to undertake a programme of investment. Under the definition of what constitutes capital expenditure much of this investment is of a repair nature and therefore a revenue liability. Given the ongoing work by the Directors of Law, Human Resources & Asset Management and Regeneration into the works required which are to be aligned with the future strategy developments for the services it is proposed to bring a more detailed report to Cabinet on 14 January 2010. The areas subject to consideration are Williamson Art Gallery, Birkenhead Central Library, Wallasey Central Library, Parks (PACSPE including football pitches, golf courses, cemeteries) and Sports Centres.

7.2.4. Within the submissions recommended for approval there are submissions which realise benefits of an 'Invest-to-Save' nature:-

- a) CCTV / IT project although the level of saving is subject to the outcome of the tendering exercise.
- b) Adaptations as there will be benefits through deferring individual pressures onto the Adult Social Services community care budget.
- c) Oval Sports Centre as it ensures maintenance of income levels.
- d) Europa Pool will realise energy savings of £40,000 per year.

7.3. Capital Programme variations

7.3.1 Schemes transferred to revenue

The schemes in Appendix D are now classed as revenue expenditure and will be transferred to departmental revenue budgets.

SCHEMES TO REVENUE	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Schools – Property Works	400	400	400	400
Schools – Boiler Renewals	250	250	250	250
Schools – Health & Safety	200	200	200	200
West Wirral Schemes	200	200	200	200
Property Maintenance	1,510	1,510	1,510	1,510
Disabled Access Provision	100	100	100	100
Cultural Services–Property Wks	300	300	300	300
Highways Works	1,000	1,000	1,000	1,000

7.3.2 Schemes deleted from the programme

The schemes in Appendix D are being deleted either through the scheme not being developed along the lines of the original approval or because it was dependant upon grant funding which was not subsequently obtained.

SCHEMES DELETED	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
In House Residential	354	0	0	0
Girtrell Court	1,000	0	0	0
Adult Accommodation	943	0	0	0
Children's Invest-To-Save	1,300	0	0	0

7.4 Prudential Indicators

7.4.1. In considering the programme for 2010/13 Cabinet is advised that:-

- a) The existing commitments require additional borrowing of around £26 million for 2009/10 with the additional requirements reducing in subsequent years.
- b) To accommodate the additional items detailed in section 7.2.1 would increase the level of borrowing by £3.5 million in 2010/11 and by £4 million in each of the next two financial years.
- c) The adjustments referred to in section 7.3 would reduce the need to borrow by £8 million in 2009/10 and £4 million per year in subsequent years.
- d) The borrowing requirements for future years will be confirmed as part of the Treasury Management Strategy report to Cabinet in February 2010. Assuming the changes are approved the requirements are:-

Year	Increase in borrowing	Revenue costs (cumulative)
2010/11	£14 million	Increase of £2.9 million
2011/12	£11 million	Increase of £2.0 million
2012/13	£10 million	Increase of £1.9 million
2013/14	£10 million	Increase of £1.9 million

- e) In terms of key Prudential Indicators the ratio of financing costs to the net revenue stream continues to increase as the capital programme increases. 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.

8. STAFFING IMPLICATIONS

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

9. EQUAL OPPORTUNITY IMPLICATIONS

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

10. COMMUNITY SAFETY IMPLICATIONS

- 10.1. These will be identified with the individual scheme proposals.

11. HUMAN RIGHTS IMPLICATIONS

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

12. LOCAL AGENDA 21 IMPLICATIONS

- 12.1. These will be identified with the individual scheme proposals.

13. PLANNING IMPLICATIONS

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

14. MEMBER SUPPORT IMPLICATIONS

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

15. BACKGROUND PAPERS

- 15.1. Capital Investment Programme Guidance Document - July 2008
15.2. Prudential Code for Capital Finance in Local Authorities - CIPFA - 2003
15.3. Local Authorities Capital Finance and Accounting Regulations 2008.

16. **RECOMMENDATIONS**

- 16.1. That the new submissions as detailed in section 7.2 be approved.
- 16.2. That the re-allocation of schemes to revenue, with any associated funding, as detailed in section 7.3.1 be approved.
- 16.3. That the removal from the programme of the schemes detailed in section 7.3.2 be approved.
- 16.4. That, if the changes are approved, the capital financing requirements be reflected in the Projected Budget.
- 16.5. That the Prudential Indicators be noted and reported as part of the Treasury Management Strategy in February 2010.
- 16.6. That update reports on the progress of the programme be presented in accordance with the Performance and Financial Monitoring reporting cycle.
- 16.7. That a report be presented to Cabinet on 14 January 2010 on building maintenance requirements to include the review of Regeneration - Cultural Services facilities.
- 16.8. That the options for funding building maintenance be presented to Cabinet on 14 January 2010.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/325/09

CAPITAL INVESTMENT PROGRAMME

PRIORITISATION EVALUATION CRITERIA AND WEIGHTINGS

PRIORITISATION CRITERIA	%	CORPORATE OBJECTIVE
1 Will the scheme create employment opportunities or assist in attracting private sector investment?	15	To create more jobs, achieve a prosperous economy and regenerate Wirral.
2 Will the scheme have environmental or streetscene benefits or impact on crime or health and safety?	15	To create a clean, pleasant, safe and sustainable environment.
3 Will the scheme cater for vulnerable people or address health inequality or contribute towards healthy lifestyle?	15	To improve health and well-being for all, ensuring people who require support are full participants in mainstream society.
4 Will the scheme have any educational attainment or learning opportunities or training benefits?	15	To raise the aspirations of young people.
5 Will it impact on revenue or attract significant external funding and build upon partnership working?	15	To create an excellent Council.
6 Does the scheme contribute towards more than one Corporate Strategy or the achievement of cross-cutting aims?	10	Partnership working is seen as integral to the future of the Council
7 Does the scheme provide value for money for the Council in terms of the use of its resources?	10	Value for money is desired in the delivery of all services
8 Are the outcomes clear and result in improvements in performance?	5	Performance, and improved performance, is recognised as a priority

NOTES

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

CAPITAL PROGRAMME 2009/13

(EXCLUDES THE SCHEMES PER APPENDIX C
AND ADJUSTMENTS IN APPENDIX D)

SUMMARY

	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Expenditure				
Adult Social Services	5,830	471	141	0
Children & Young People	49,909	44,377	18,493	11,593
Corporate Services	3,248	2,250	500	500
Finance	1,753	1,500	1,500	1,500
Law, HR & Asset Management	1,710	1,710	1,610	1,610
Regeneration	18,876	15,895	13,912	13,912
Technical Services	13,222	12,045	10,702	9,735
Total Expenditure	94,548	78,248	46,858	38,850
Resources				
General Resources	19,441	12,575	8,661	7,694
Supported Borrowing	10,092	5,235	5,235	5,235
General Resources	29,533	17,810	13,896	12,929
Grants – Education	38,922	41,300	15,466	8,566
Grants – HMRI	7,265	7,485	7,485	7,485
Grants - Regional Housing Pot	5,241	4,577	4,577	4,577
Grants - Local Transport Plan	3,515	4,243	4,243	4,243
Grants – Other	9,572	2,483	891	750
Revenue, Reserves				
Contributions	500	350	300	300
Specific Resources	65,015	60,438	32,962	25,921
Total Identified Resources	94,548	78,248	46,858	38,850

General Resources	£000	£000	£000	£000
<u>Borrowing</u>				
Supported Capital Expenditure	10,092	5,235	5,235	3,441
Unsupported Capital Expenditure	15,441	9,575	5,661	6,488
<u>Capital Receipts</u>	4,000	3,000	3,000	3,000
Total General Resources	29,533	17,810	13,896	12,929

ADULT SOCIAL SERVICES	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Expenditure				
In House Residential	354	0	0	0
Girtrell Court	1,000	0	0	0
Adult Accommodation	943	0	0	0
Information Management	127	134	141	0
Mental Health Single Capital Pot	348	173	0	0
Social Care Single Capital Pot	328	164	0	0
Extra Care Housing facility	2,730	0	0	0
Total Expenditure	5,830	471	141	0
Resources				
General Capital Resources	2,297	0	0	0
Grant Other	3,533	471	141	0
Total Identified Resources	5,830	471	141	0

CHILDREN & YOUNG PEOPLE	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Expenditure				
Children's Centres - Phase 3	1,390	178	0	0
City Learning Centres	527	0	0	0
Early Years Quality & Access	2,367	1,239	0	0
Aiming Higher Disabled Children	252	359	0	0
Children's Invest-To-Save	1,300	0	0	0
Condition / Modernisation	8,238	2,479	3,679	3,679
Formula Capital	5,833	4,592	4,592	4,592
Extended Schools	783	301	301	301
Schools - Access Initiative	623	611	611	611
Schools - Harness Technology	2,581	1,310	1,310	1,310
Schools - Property Works	980	400	400	400
Schools - Boiler Renewals	250	250	250	250
Schools - Health & Safety	200	200	200	200
Building Schools For The Future	19,373	7,454	0	0
Birkenhead High Girls Academy	450	11,370	0	0
Oaklands Centre	574	0	0	0
Private Finance Initiative	50	50	0	0
Primary Reorganisation - Surplus	250	250	250	250
Primary Schools Programme				
- Park Primary School	600	5,839	0	0
- Pensby Primary School	100	4,000	900	0
- Our Lady & St Edwards	406	0	0	0
School Meals Uptake & Quality	200	254	0	0
Practical Cooking Spaces	1,045	200	0	0
Co-Location Fund	168	759	0	0

Music Service	86	0	0	0
Playbuilder Programme	531	0	0	0
Play Lottery	100	100	0	0
Old Final Accounts	18	0	0	0
SEN and Disabilities	0	2,000	6,000	0
Youth Capital Fund	634	182	0	0
Total Expenditure	49,909	44,377	18,493	11,593

Resources

General Capital Resources	3,687	1,233	1,233	1,233
Supported Borrowing	7,100	1,794	1,794	1,794
Grant – Education	38,922	41,300	15,466	8,566
Revenue, reserve, contributions	200	50	0	0
Total Identified Resources	49,909	44,377	18,493	11,593

CORPORATE SERVICES

	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000

Expenditure

Think Big Investment Fund	442	300	300	300
West Wirral Schemes	406	200	200	200
Destination West Kirby	1,100	150	0	0
Wirral Country Park	1,300	1,600	0	0
Total Expenditure	3,248	2,250	500	500

Resources

General Capital Resources	1,898	1,250	500	500
Grant – Other	1,350	1,000	0	0
Total Identified Resources	3,248	2,250	500	500

FINANCE

	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000

Expenditure

Strategic Asset Review – IT	1,500	1,500	1,500	1,500
One Stop Shops	253	0	0	0
Total Expenditure	1,753	1,500	1,500	1,500

Resources

General Capital Resources	1,753	1,500	1,500	1,500
Total Identified Resources	1,753	1,500	1,500	1,500

LAW/HR/ASSET MGT	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Expenditure				
Strategic Asset Review	0	0	0	0
Property Maintenance	1,510	1,510	1,510	1,510
Disabled Access Provision	100	100	100	100
Microregeneration	100	100	0	0
Total Expenditure	1,710	1,710	1,610	1,610

Resources				
General Capital Resources	1,650	1,650	1,610	1,610
Grant – Other	60	60	0	0
Total Identified Resources	1,710	1,710	1,610	1,610

REGENERATION	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000

Expenditure				
Improvement to Stock	3,385	3,380	3,380	3,380
Clearance	8,721	8,682	8,682	8,682
Disabled Facilities - Adaptations	2,390	1,550	1,550	1,550
Bidston Stream	250	0	0	0
Mersey Waterfront Regional Park	280	0	0	0
Working Wirral – SRB	1,600	0	0	0
Landican Mercury Abatement	1,500	1,983	0	0
Hoylake Golf Course	450	0	0	0
Cultural Services - Property Wks	300	300	300	300
Total Expenditure	18,876	15,895	13,912	13,912

Resources				
General Capital Resources	3,036	2,783	800	800
Grant – HMRI	7,265	7,485	7,485	7,485
Grants - Regional Housing Pot	5,241	4,577	4,577	4,577
Grants – Other	3,034	750	750	750
Revenue, reserve contributions	300	300	300	300
Total Identified Resources	18,876	15,895	13,912	13,912

TECHNICAL SERVICES	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000

Expenditure				
LTP – Accessibility	150	155	150	150
LTP - Air Quality	1,500	445	440	440
LTP – Congestion	425	213	210	210
LTP - Road Safety	4,514	5,340	5,340	5,340
LTP – Transportation	579	1,531	1,540	1,540

Highway Structural	500	500	0	0
Street Lighting Columns	300	300	0	0
Coast Protection	55	55	55	55
Marine Lake	1,660	0	0	0
Highways Works	2,000	2,000	2,000	2,000
Bidston Viaduct (contribution)	615	1,304	967	0
Energy Schemes	186	0	0	0
Asset Management	85	0	0	0
Waste Infrastructure	653	202	0	0
Total Expenditure	13,222	12,045	10,702	9,735
Resources				
General Capital Resources	5,120	4,159	3,018	2,050
Supported Borrowing	2,992	3,441	3,441	3,441
Grants - Local Transport Plan	3,515	4,243	4,243	4,243
Grant – Other	1,595	202	0	0
Total Identified Resources	13,222	12,045	10,702	9,734

CAPITAL PROGRAMME 2009/13

RANKING OF CAPITAL SUBMISSIONS

(SCHEMES ARE NOT INCLUDED WITHIN THE PROGRAMME IN APPENDIX B)

<u>RECOMMENDED SCHEMES</u>	DEPARTMENT	COST £000
Cultural Services Investment required consisting of improvements and repairs. The Directors of Law, HR & Asset Mgt and Regeneration to produce a programme that secures improvements in assets linked to service priorities. The key areas include Williamson Art Gallery, Birkenhead Central Library, Wallasey Central Library, Parks (PACSPE including football pitches, golf courses, cemeteries) and Sports Centres. Phased investment programme to include capital of £2 million from 2010/11 and £4 million in subsequent years. Detail to be developed by Directors of Law, HR & Asset Mgt and Regeneration.	Regeneration	2,000 (10/11) 4,000 (11/12) 4,000 (12/13)
CCTV / IT project Improvements to equipment and coverage to integrate with Council IT network. Investment will realise benefits with savings offset by the increased IT network costs which are subject to tender in 2009/10. Approved subject to outcome of tender.	Regeneration	530
Adaptations Additional to Disabled Facilities Grant to provide adaptations to support individuals in order to delay the impact upon the Community Care budget. Cases to be individually assessed.	Regeneration (plus Adult Social Services)	500
Oval Sports Centre Improvements to artificial pitches in order to sustain the present income levels of £95,000 per year.	Regeneration	160
Europa Pool Use of new technology to improve heating systems in high consumption area due to essential heating. Aim to generate savings of £40,000 per year.	Regeneration	200
Wirral Traffic Model (contribution) Development of model to support Liverpool City Region. £490,000 scheme has secured funding from Local Transport Plan and New Growth Point Fund.	Technical (plus Corporate Services)	100

CAPITAL PROGRAMME 2009/13

SCHEMES TRANSFERRED FROM CAPITAL TO REVENUE

The following schemes are now classed as revenue expenditure and will be transferred to departmental revenue budgets.

	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
CHILDREN & YOUNG PEOPLE				
Schools – Property Works	400	400	400	400
Schools – Boiler Renewals	250	250	250	250
Schools – Health & Safety	200	200	200	200
CORPORATE SERVICES				
West Wirral Schemes	200	200	200	200
LAW, HR & ASSET MGT				
Property Maintenance	1,510	1,510	1,510	1,510
Disabled Access provision	100	100	100	100
REGENERATION				
Cultural Services–Property Wks	300	300	300	300
TECHNICAL SERVICES				
Highways Works	1,000	1,000	1,000	1,000

SCHEMES DELETED FROM THE PROGRAMME

The following schemes are being deleted either through the scheme not being developed along the lines of the original approval or because it was dependant upon grant funding which was not subsequently obtained.

	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
ADULT SOCIAL SERVICES				
In House Residential	354	0	0	0
Girtrell Court	1,000	0	0	0
Adult Accommodation	943	0	0	0
CHILDREN & YOUNG PEOPLE				
Children’s Invest-To-Save	1,300	0	0	0

CAPITAL PROGRAMME 2009/13
PROJECTED CAPITAL RECEIPTS

DISPOSALS

Oliver Street, Birkenhead
Europa Boulevard Site
New Brighton Development
Mendell Lodge, Bromborough
4 Cavendish Road, Birkenhead
Rullerton Road, Wallasey
Fellowship House
98 Bidston Road, Birkenhead
Rosewarne
5/7 St.Andrews Road
Oliver Street, Birkenhead
Europa Boulevard Site
New Brighton Development
Poulton School, Wallasey
Oliver Street, Birkenhead
Feltree House, Beechwood
Esher House, Beechwood
Dock Road Depot, Wallasey
Bridge Court, West Kirby
Hillcroft, Heswall
Moreton Family Centre
Old Court House, Wallasey

Over the period a number of assets identified as part of the Strategic Asset Review will be made available for sale including those arising from the Accommodation Review.

It is anticipated that the current level of receipts plus those generated will be sufficient to fund a £4 million contribution in 2009/10 and £3 million per year in the subsequent years towards the capital programme.

APPENDIX C

WIRRAL COUNCIL

INSURANCE FUND

2010/11

WIRRAL COUNCIL

INSURANCE FUND 2010/11

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 risk 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 14 JANUARY 2010

Minute 271 - INSURANCE FUND BUDGET 2010/11

The Director of Finance gave details of the elements which made up the Insurance Fund, the costs of running the Risk & Insurance Section, and the budget for 2010/11. The headline from the Budget 2010/11 report was a reduction in estimated insurance costs for 2010/11 of £0.8 million which came partly as a result of extensive work undertaken with schools.

Resolved - That

- (1) the Insurance Fund budget for 2010/11 be agreed, and
- (2) the savings of £430,000 to the General Fund and £350,000 to Schools in 2010/11 be agreed.

UPDATE ON THE INSURANCE FUND BUDGET - CABINET 14 JANUARY 2010

Minute 288 - LIABILITY INSURANCE AND COMPUTER INSURANCE TENDERS

The Director of Finance advised Cabinet on the procurement process for the Computer insurance contract and the Liability insurance and claims handling contracts and recommended the awarding of the liability contract to Zurich Municipal and the Computer policy to Risk Management Partners. The contracts would be for up to seven years effective from 1 April 2010 and would save approximately £170,000 per year. The maximum self insured financial exposure to liability claims would also be reduced by 30% to £2.5 million per year.

Resolved - That

- (1) the Liability insurance and claims handling contract be awarded to Zurich Municipal for an initial period of 3 years commencing 1 April 2010, retaining the options to extend for two further periods of two years.
- (2) the Computer insurance contract be awarded to Risk Management Partners for an initial period of 3 years commencing 1 April 2010, retaining the options to extend for two further periods of two years.

WIRRAL COUNCIL

CABINET

14 JANUARY 2010

REPORT OF THE DIRECTOR OF FINANCE

INSURANCE FUND BUDGET 2010/11

1. 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 2010/11.
- 1.2. The headline from the Budget 2010/11 report is a reduction in estimated insurance costs for 2010/11 of £0.8 million which is partly as a result of extensive work undertaken with schools.

2. BACKGROUND

- 2.1. 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.
- 2.2. 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.
- 2.3. Wirral has operated an Insurance Fund since its foundation 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.
- 2.4. 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.

3. RISK MANAGEMENT

- 3.1. To achieve overall best value in funding insurable losses a mixture of external and self-insurance is needed.

3.2. 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.

3.3. External insurance premiums are met by the Insurance Fund and are recharged to departments together with self-insurance premiums.

4. **SELF FUNDED RISKS**

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

4.2. TYPE OF INSURANCE	ANNUAL AGGREGATE DEDUCTIBLE
Combined Liability	£3,600,000
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

5. **CLAIMS AND PREMIUMS**

5.1. A comparison of the premiums charged and claims incurred in recent years in respect of the three principal risks covered by the Insurance Fund follows. The premiums and claims for the years in question are highlighted.

a. **COMBINED LIABILITY**

This policy was placed with Zurich Municipal on 1 April 2005, following a competitive tender. At present the contract is subject to a Long Term Agreement which expires on 31 March 2010 and a tendering process is underway. Whilst this means that external premiums for 2010/11 onwards are uncertain the expectation is that they will continue at a similar level. Insurance Fund contributions are reviewed annually and have fallen sharply in recent years because of sustained and significant improvements in the claims experience brought about by more effective management of liability risk and a robust attitude to claims management. This has enabled the level of self-insurance to be negotiated down from a peak of £7.1 million in 2005/06 to the current level of £3.6 million.

Year	Premium		Expected final costs (90% level of certainty)
	External Insurance**	Insurance Fund	
	£000	£000	£000
2004/05	360	6,000	893
2005/06	286	4,000	1,100
2006/07	314	3,250	1,586
2007/08	236	3,300	2,860
2008/09	261	3,200	3,200
2009/10	270	2,800	N/K
2010/11	285	2,100	N/K

** Exclusive of claims handling charges.

b. MATERIAL DAMAGE & BUSINESS INTERRUPTION

The material damage policy was tendered in 2008 with the result being an extension of cover to include damage from storm flood and burst pipes and business interruption losses. The contract is subject to a Long Term Agreement which lasts until June 2013. The expectation is that premium rates will continue at the existing level. Insurance Fund contributions are reviewed annually and rose before 2006/07 to recover a shortfall caused by large losses sustained in the 2003/04 insurance period. Contributions fell significantly in 2007/08 and despite the Insurance Fund taking on an increased exposure through the extensions of cover the level of contribution is being reduced further in 2010/11.

Year	Premiums		Expected final costs	
	External Insurance	Insurance Fund	External Insurer	Insurance Fund
	£000	£000	£000	£000
2005/06	338	570	0	80
2006/07	318	570	0	32
2007/08	328	340	0	42
2008/09	382	340	68	159
2009/10	384	330	N/K	N/K
2010/11	371	300	N/K	N/K

c. **COMPREHENSIVE MOTOR**

This policy was placed with Zurich Municipal on 1 April 2009, following a competitive tender. The contract is subject to a Long Term Agreement that lasts until 31 March 2012. As such no significant change in the external premium is anticipated for 2010/11. Departments contribute a minimum of £500 for damage incurred to their own vehicles and any third party claims, the excess level varying according to the risk profile of the driver. The Insurance Fund contribution is reviewed annually and is also being reduced for 2010/11.

Year	Premium		Expected final costs		
	External Insurance	Insurance Fund	Department	Insurance Fund	Insurer
	£000	£000	£000	£000	£000
2005/06	49	81	43	90	0
2006/07	52	81	35	103	0
2007/08	55	81	32	58	0
2008/09	49	81	30	79	0
2009/10	50	90	N/K	N/K	N/K
2010/11	44	65	N/K	N/K	N/K

6. **OTHER**

6.1. 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. These risks generate a modest level of losses and the premiums remain fairly stable over a period of years.

7. **PROVISIONS**

7.1. 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.

7.2. 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.

7.3. 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 each year since 2005/06.

- 7.4. A funding study is now being undertaken by professional actuaries every two years to evaluate whether the sum held to meet liability losses is sufficient and also the sum needs to be invested to meet the costs of current claims.
- 7.5. In the intervening year this study is undertaken by officers, and the 2009 internal evaluation considered the adequacy of the sums held to meet liability losses. A professional judgement was also made for the other classes of insurance. In addition to considering the adequacy of provisions for losses in previous years the evaluation addressed the issue of the sum needing to be invested in the Insurance Fund to meet the cost of claims for the current year.
- 7.6 The 2009 evaluation showed that the continued improvements in our ability to defend claims, which released £2.975 million to Council balances during 2008/09, had been sustained. The Insurance Fund Annual Report to Cabinet on 25 June 2009 stated that there was a significant surplus in the provisions held for Property insurance losses and Cabinet agreed to transfer to General Fund balances the surplus in the provisions at 31 March 2009 of £2,106,000.

Class	Provisions		Transferred to General Balances
	Actual 31/03/09	Revised 31/03/09	
Combined Liability	£11,620,700	£11,620,700	£0
Property	£4,106,400	£2,000,000	£2,106,000
Motor	£274,900	£274,900	£0
Total	£16,002,000	£13,895,600	£2,106,000

8. LIABILITY CLAIMS FUNDING

- 8.1. At present provisions for liability losses are based on a 90% chance that the actual outcome will be less than the worst reserves. At the time of the last formal actuarial study in 2008 there was concern that the unprecedented turbulence in claims patterns experienced by Wirral might have been skewing the results of the study towards unrealistically low sums. Also some uncertainty remained as to whether the low level of new claims reported would be sustained. It was concluded that the cautious approach to funding was therefore justified.
- 8.2. The results of the next formal actuarial study to be commissioned will be available in mid-2010 and will be based on claims data as at 31 March 2010.

9. ADMINISTRATION

- 9.1. In addition to promoting the effective management of risk within the Authority the Risk and Insurance Section places and administers all external insurance policies, manages the Insurance Fund and oversees the handling of all claims.
- 9.2. A new insurance broking contract was awarded to Griffiths & Armour in November 2008 and this fixed price contract will run until 30 November 2010.
- 9.3. The costs of the Risk & Insurance Section are charged to the Insurance Fund and are recharged to departments in the form of a percentage overhead on insurance premia. For 2010/11 the relevant percentage will be approximately 8.3%. This is higher than for 2009/10 as a consequence of the reduction in estimated premia which has been achieved through the work of the section, and others, in reducing the number of claims submitted and also increasing the repudiation rates for those claims that are submitted.
- 9.4. Below is a breakdown of the estimated costs of the section for 2010/11.

Staffing & overheads	£282,500
Insurance Brokers & Actuaries	£ 20,000
Total	£302,500

- 9.5. The section comprises four full time and one part time employees. In an informal benchmarking exercise undertaken earlier this year both the size and cost of the Wirral team compared favourably with the other Merseyside authorities. Taken in context the significant results achieved in recent years, in terms of wider cover at lower cost and a vastly improved claims experience, have been delivered by a small team.

10. INSURANCE FUND BUDGET 2010/11

- 10.1. The table below shows the estimated budget for 2010/11 compared with the base budget for 2009/10.

	2009/10 Base £000	2010/11 Base £000
Schools	1,560	1,210
General Fund	3,184	2,752
Total	4,744	3,962

- 10.2. The 2010/11 budget equates to an overall decrease of approximately 17%. This reduction in costs reflects the continuing improvements in claims experience and the effectiveness of the Risk & Insurance Team approach to procurement.
- 10.3. The 2009/10 Estimate contained a saving of £400,000 to the Department of Children & Young People resulting from a more equitable method of calculating costs for schools. Whilst this increased costs to schools in 2009/10 work done since by the Risk & Insurance Team including the risk ranking survey programme for secondary schools has assisted with reducing the charges to schools by £350,000 for 2010/11.
- 10.4. The Liability and Computer insurance contracts have been tendered and the outcome is reported elsewhere on this agenda. All other contracts are subject to Long Term Agreements which act to reduce the likelihood of any significant changes to cover or to premia. In the medium term there could be upward pressure on external premia if the recession causes insurers' investment returns to continue falling and reinsurance costs to rise. However the current position is that insurers are generally maintaining prices in order to retain business.
- 10.5. The Insurance Fund Budget for 2010/11 is shown in the Appendix.

11. FINANCIAL IMPLICATIONS

- 11.1. In terms of the annual insurance premia the 2010/11 Budget shows a reduction of £0.8 million from the 2009/10 premia. This reflects the extensive work undertaken with schools during the year which has enabled the risks to be more accurately assessed and, more generally, the sustained improvements in claims management.

12. STAFFING IMPLICATIONS

- 12.1. There are no direct staffing implications.

13. EQUAL OPPORTUNITIES IMPLICATIONS

- 13.1. There are no direct equal opportunities implications.

14. COMMUNITY SAFETY IMPLICATIONS

- 14.1. There are no direct community safety implications.

15. PLANNING IMPLICATIONS

- 15.1. There are none arising out of this report.

16. LOCAL MEMBER SUPPORT IMPLICATIONS

16.1. There are no implications for any Members or wards.

17. BACKGROUND PAPERS

- 17.1. (i) Correspondence with Griffiths & Armour
(ii) Risk & Insurance Section Database
(iii) Zurich Municipal and Teceris Claims Management claims records

18. RECOMMENDATIONS

18.1. That the Insurance Fund Budget 2010/11 be agreed.

18.2. That the savings of £430,000 to the General Fund and £350,000 to Schools in 2010/11 be agreed;

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/317/09

WIRRAL COUNCIL
INSURANCE FUND BUDGET

Expenditure	<u>Base Budget 2009/10</u>			<u>Base Budget 2010/11</u>			
	Class of Insurance	External Premia	Insurance Fund Contributions	Total	External Premia	Insurance Fund Contributions	Total
		£	£	£	£	£	£
Liabilities*	408,000	2,800,000	3,208,000	435,000	2,100,000	2,535,000	
Fire	384,000	330,000	714,000	371,000	300,000	671,000	
Motor	50,000	90,000	140,000	44,000	65,000	109,000	
Other*	230,000	168,000	398,000	183,000	137,000	344,000	
Management Account			284,000			303,000	
Total Expenditure			<u>4,744,000</u>			<u>3,962,000</u>	
Income							
Schools			(1,560,000)			(1,210,000)	
General Fund			(3,184,000)			(2,752,000)	
Total Income			<u>(4,744,000)</u>			<u>(3,962,000)</u>	

* Cabinet on 14 January 2010 agreed to the awarding of new Computer insurance and Liability insurance and claim handling contracts from 1 April 2010 which realised savings of £170,000 per year.

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WIRRAL COUNCIL

CABINET - 22nd FEBRUARY, 2010

REPORT OF DIRECTOR OF CHILDREN'S SERVICES

SCHOOLS BUDGET 2010-2011

EXECUTIVE SUMMARY

This report recommends the approval of the Schools Budget for 2010-11. The budget was presented to the Schools Forum on 20th January 2010. The report and the resolution from the Forum is attached as Appendix 1 and 2.

1.0 Schools Budget 2010-2011

1.1 This is the final year of a national three year funding period for schools (2008-2011). In 2008-09 decisions were taken about levels of funding based on the Government's stated priorities, which were and still are:

Ensuring all children make good progress
Early intervention in SEN
Support for specific groups at risk of poor outcomes
Ensuring school workforce skills.

1.2 The changes agreed in 2008-09 to the schools formula targeted additional resources to deprivation inclusion bases in secondary schools and SEN intervention. This will continue in 2010-11 with headroom allocated to these areas of £3,836,000.

1.3 Following the DCSF letter deferring the implementations of the new Funding Formula for Early Years by 12 months there are no proposals to change the schools formula in 2010-11.

1.4 The Schools Budget is based on the following resources:

Dedicated Schools Grant	£193,995,400
Council funding (Area Based Grants)	£493,200

1.5 The estimated cost of the Individual Schools Budget has reduced in 2010-11 to £173.4m. This is less than planned and arises from:

- the closure of Arrowe Hill Primary School and savings from lump sum elements within the formula of £174,000
- A reduction in rates payable mainly from a number of secondary schools of £251,800. This includes the Discretionary Relief change reported to Cabinet on 4th February 2010.

As a result, £425,800 Headroom within the budget is not allocated directly to schools and is held in reserve to be carried over into the 2011-14 funding period.

1.6 Automatic Meter Reading – Energy Savings

Cabinet received a report on 14th January outlining that energy costs in schools would reduce in 2010-11 by £1.3 million following the renewal of contracts. This will be reflected in the budgets set by schools. The recommendation in the report included a request that the Schools Forum consider a programme of automatic, remote reading, meter installations in schools funded from the Schools Budget in order to help deliver the energy saving scheme. The proposal was outlined at the Forum Meeting. It was agreed that a more detailed report be taken to the next meeting in June. The Forum's resolution is attached.

2.0 Financial Implications

The report sets out the Schools Budget for the financial year 2010-11.

3.0 Staffing Implications

There are none arising directly from this report.

4.0 Equal Opportunities Implications/Health Impact Assessment

There are none.

5.0 Community Safety Implications

There are none.

6.0 Local Agenda 21 Implications

There are none.

7.0 Planning Implications

There are none.

8.0 Anti-poverty Implications

There are none.

9.0 Social Inclusion Implications

There are none.

10.0 Local Member Support Implications

There are none.

11.0 Background Papers

None used in the preparation of this report.

RECOMMENDATIONS

- (1) That Cabinet agree the Schools Budget for 2010-11.
- (2) That £425,800 unallocated DSG is held in schools specific contingency and carried forward to the next funding period.

Howard Cooper
Director of Children's Services

EXTRACT FROM MINUTES OF THE WIRRAL SCHOOLS FORUM HELD ON 20TH JANUARY 2010

3. School Budget

Andrew Roberts gave an outline of the 2010/11 indicative budget. The 2010/11 per pupil increase is 4.4% including 1.3% for government priorities. In this final year of the 2008/11 funding period the headroom element of the 2010/11 budget is calculated as £3,836,000 of which £3,666,000 for Narrowing the Gap and £170,000 for an Increase in the Statement value. Details of the Dedicated School Grant, the Individual Schools Budget, the Minimum Funding Guarantee, Other grants, Area Based Grants and other budget factors as set out in the report were outlined.

The Director provided further background on the impact of school closures on future budgets and the SEN funding issues in the report. Discussion took place on the contingency issues and the Narrowing the Gap funding. Concerns were expressed on 2010/11 funding levels for schools on the Minimum Funding Guarantee.

Resolved:

- (i) That the Schools Forum noted the Schools Budget for 2010/11 and the level of central costs.
- (ii) That £268,000 un-allocated DSG is held in Schools Specific Contingency budget and carried forward to the next funding period.
- (iii) The Schools Budget and views of the Schools Forum be referred to the budget meeting of Cabinet on 22nd February 2010.

11. Any other business

An update was given on the report agreed by the Council's Cabinet on 14th January 2010 about school energy costs for 2010/11 and 2011/12 and proposals that automatic metering be funded in schools from the savings resulting from the lower costs in the renewed contracts. Automatic metering is a key "early win" in the Council's and schools meeting carbon reduction requirements and commitments.

- (i) Agreed that the fitting of AMR meters in schools be an agenda item at the next meeting.

WIRRAL COUNCIL

SCHOOLS FORUM 20th JANUARY 2010

REPORT OF THE DIRECTOR OF CHILDREN'S SERVICES

SCHOOLS BUDGET 2010-2011

EXECUTIVE SUMMARY

This report outlines the Schools Budget for Wirral for 2010-11 and describes the financial changes to be considered by the Forum and Cabinet.

1.0 Background.

This is the final year of the national three year funding period for schools (2008-2011). In 2008-09 decisions were taken about levels of funding for schools over this period based on the governments stated priorities, which were and still are:

- ensuring all children make good progress
- early intervention especially SEN
- support for specific groups at risk of poor outcomes
- ensuring school workforce skills

In 2020-11 the funding Wirral will receive provides an increase of 4.4% per pupil of which 1.3% is for government priorities.

The initial budget for 2010-11 calculated the available Headroom in the schools budget at £3,836,000. Headroom is the difference between DSG and the budget required to continue funding schools at their current level, after allowing for inflation, unavoidable cost pressures and the Minimum Funding Guarantee.

Headroom has been allocated in the budget as follows:

	£
Deprivation funding to narrow the gap	3,666,000
Increase in Statement value (Year 3)	170,000

Deprivation funding has already been delegated to schools and included in indicative budgets over the three year period.

It is not intended that in the final year of the funding settlement there should be any significant changes to the levels of planned funding for schools. The Local Funding Formula is fixed over the period to give all schools allocations that are certain and clear, with most changes being for movements in January pupil numbers only. Some other changes to central costs are however required and these are described in paragraph 4.1 to 4.9 in this report.

2.0 Dedicated Schools Grant

The DCSF has revised the indicative levels of Dedicated Schools Grant (DSG) for Wirral:

	Allocation	Increase	% cash	% pupil
	£000	£000		
2010-11	194,988	6,852	3.7	4.4

The increases compare with average national increases per pupil of 4.4% and 4.3% respectively.

The DCSF allocations are indicative, based on estimates of pupil numbers. Authorities are still required to review the numbers used and revise grant estimates where necessary, prior to final allocations being issued in June 2010 (based on January 2010 pupil numbers). Changes in pupil numbers have been built into DSG estimates below :

	Allocation	Pupil Adjustment	Grant carry forward	Revised DSG	Increase
	£000	£000	£000	£000	£000
2010-11	194,988	993cr	-	193,995	5,859

None of the DSG carried forward from previous years has been included in the 2010-11 budget above. Following the Schools Funding consultation in 2008 it was agreed that any changes to resources as a result of adjusted DSG should be made at the end of the three year funding period, not during it. The current DSG balance at June 2009 is £398,600

3.0 Individual Schools Budget (ISB)

The estimated cost of the ISB in 2010-11 is £173.5m. This is less than originally planned. Reductions have arisen from:

- the closure of Arrowe Hill Primary School and savings from the lump sum elements within the formula (£174,000)
- the reduction in rates payable mainly from a number of secondary schools who have changed status to Foundation or Trust (£94,000).
- A fall in the planned secondary school numbers. Indicative budgets had already built in a falling roll for 2010-11. However the fall in planned numbers (11-15) from 19015 to 18531 is greater than anticipated. This reduces the ISB and is matched by a similar reduction in grant.

The ISB will be increased for the expansion of Secondary Education Inclusion Bases at Bebington, Hilbre and Wallasey. This is funded from Central SEN budgets (£93,000).

Following these changes there is Headroom within the budget of £268,000. Given that the formula is fixed, it is proposed to hold this sum within the Schools Specific Contingency Budget as a reserve and carry over into the 2011-14 funding period.

3.2 Minimum Funding Guarantee (MFG)

The MFG has been set at 2.1% for the 3 year period. This is 1% below the assessment of average cost pressures and assumes an efficiency gain in schools, as part of national public-sector efficiency requirement. The MFG in future years is expected to be significantly lower.

4.0 Projected Central Budget 2010-11

The projected budget is detailed at Appendix 1 and includes the items detailed in the following paragraphs.

4.1 Inflation

Provision is included for teachers pay at 2.3% other pay 1% and income at 3%. There is no general provision for price inflation, unless there is a contractual commitment.

4.2 Other Specific Grants

Specific grants have been included in the budget and are detailed in the table below

	Amount 2009-10	Estimated Amount 2010-11
	£	£
LSC 6 th Form and SEN	21,226,500	TBA
School Development Grant		
Devolved	15,802,300	15,941,100
Central	1,189,500	1,214,500
SSG + SSG (P)	10,526,500	10,637,700
Learnwise – LSC / ESF	1,469,300	826,900
School Lunch Grant	553,300	553,300
Ethnic Minority Achievement	188,200	199,800
Extended School Sustainability	849,500	1,225,900
Extended School Subsidy	226,300	791,600
Targeted Primary and Secondary Strategy	2,176,200	TBA
Making Good Progress	791,600	TBA
Surestart, Early Years and Childcare	9,562,200	10,404,900
Free Entitlement for 3 and 4 year olds	404,300	1,685,500
Playing for Success	80,000	80,000
Teachers Development Agency	465,500	465,500
National Challenge	405,000	TBA

Overall there is no increase in match funding required for Standards Fund.

4.3 Area Based Grant (ABG) – transfer to Children and Young People’s Budget - £170,500.

The following Area Based Grants are also included in the Schools Budget:

	Amount 2009-10	Estimated Amount 2010-11
	£	£
Secondary Behaviour and Attendance	68,300	68,300
School Development Grant	444,700	372,800
Choice Advisors	52,100	52,100
Flexible 14-19 Partnerships	98,600	-
Total	663,700	493,200

Area Based Grants are used in the Schools Budget to support and continue a number of projects that were previously funded through Standards Fund. These include residual costs arising from the Behaviour Improvement Programme, SEN initiatives and a more recent grant for assistance to parents for admissions. The grants have also been used to support some staffing costs within the Learning and Achievement Branch, including the 14-19 Team. The funding in these areas fit more closely with the Children and Young Peoples Budget and therefore it is proposed to transfer ABG's, totalling £170,500, out of the Schools Budget. There is no impact on DSG arising from this change and no overall reduction when the two budgets are added together.

4.4 Early Years £40,000

The number of children in Early Years settings has increased and growth of £40,000 is required. Increases in numbers are reflected in the Census and in the level of DSG received.

4.5 SEN

With the exception of agreed growth for Statements and restoring the previous cut to the SEN Plan budget, pressures on SEN budgets are contained within the overall budget provision.

The cost of statements has continued to increase. In 2010-11 costs will increase by £500,000 before any inflation or agreed growth is taken into account, largely from an increase in the number of units (from 3659 to 3941). In addition the Home tuition budget is also being increased - £70,000 for additional teaching costs.

These costs are being offset by an anticipated reduction in both the cost of independent placements and placements with other local authorities. It is estimated that planned independent places will reduce to 81 in 2010-11. Overall there is a net reduction in SEN budgets of £93,000. This sum will fund the expansion of the secondary inclusion bases

The SEN plan budget was reduced last year by £150,000. The budget for 2010-11 makes provision to increase this area back to its previous level - £330,000.

As previously agreed the unit value of a statement will increase over the funding period from £831 to £1,030 (plus inflation). This will require growth of £170,000 in 2010-11.

4.6 Special Staff Costs £85,000

Maternity numbers and costs in schools are increasing. In 2009-10 the overspend is estimated to be in the region of £200,000. The growth put into the budget assumes that this trend will continue, but to a lesser extent in 2010-11.

4.7 Schools Contingency £56,400

Contingency budgets are increased for Headroom (£268,000) referred to earlier in the report. This budget also included the 7/12 costs for Arrowse Hill, following its closure last summer, this has been transferred to the ISB.

4.8 **Contribution to Combined Budgets** **Local Safeguarding Children's Board £24,000**

Schools have new statutory duties in respect of safeguarding children as a result of the Apprenticeships, Skills, Children and Learning Act 2009 and are now prescribed members of the Local Safeguarding Children's Board (LCSB). The LCSB undertakes serious case reviews, training and employs a designated officer for allegations. The Board is funded from partner organisations including Social Care, Police, Health and Probation. Arrangements are being put in place for schools to contribute directly to training activities; in addition it is proposed that a central contribution from the Schools Budget of £24,000 is agreed.

In total the contributions to combined budgets in 2010-11 would be:

Primary and Secondary Strategy	£359,900
Observatory School Home to School Transport	£58,200
LCSB	<u>£24,000</u>
Total	£442,100

4.9 **Rates and Insurances £48,000 cr**

There have been rates reductions in Children's Centres and the Schools Library Service. In addition there are significant reductions in premiums for liability and property insurance, as a result of sustained improvements in recent claims experience.

In total school insurance premiums will reduce by £140,000 (10%) and those paid by central budgets will reduce by £12,000.

4.10 **Central Limit Calculation**

The Forum has previously approved an increase in the Central Limit for 2010-11. This arises from SEN growth and holding funds for closing schools in contingency. As a result there is a lower percentage ISB increase than the overall percentage increase in school funding. The relevant figures are:

Increase in ISB 2.9%
Increase in Schools Budget 3.4%

Although this may now change as a result of the current budget proposals, the Forum are asked to confirm their agreement to an increase in the central limit if required.

4.11 **Budget Timetable**

The Schools Budget will be considered by Cabinet on 22nd February 2010, taking account of advice from the Schools Forum.

5.0 **Financial Implications**

The Budget for 2010-11 is compiled from the base budget for 2009-10 approved by Council on 2nd March 2009 and updated for issues outlined in this report. The projected budget is shown at Appendix 1.

The key figures at the date of preparing this report are:

	£
DSG Estimate 2009-10	188,136,200
DSG Estimate 2010-11	193,995,400

6.0 Other Implications

There are no staffing, equal opportunities, human rights, Local Agenda 21, Community Safety, Planning or Local Member Support implications arising from this report, other than those detailed in the report above.

7.0 Background Papers

DCSF Funding Settlement 12 November 2007.

DSG 2010-2011 Revised Indicative Allocations 27th October 2009.

8.0 RECOMMENDATIONS

- i) That the views of the Schools Forum are sought on the Schools Budget for 2010-11 and the level of central costs.
- ii) That £268,000 unallocated DSG is held in Schools Specific Contingency and carried forward to the next funding period.
- ii) The Schools Budget and views of the Schools Forum be referred to the budget meeting of Cabinet on 22nd February 2010.

Howard Cooper
Director of Children's Services

AR640/PW

**SCHOOLS
BUDGET**

SUMMARY

	Base Estimate 2010-11 £000
Dedicated Schools Grant	188,136cr
Increase in Grant	<u>5,859cr</u>
	<u>193,995cr</u>
 Base estimate	 188,800
 Increase in ISB Costs	
Pay and contract inflation	3,539
Transfer from Contingency	188
Transfer from SEN - Inclusion Bases	93
Rates	94cr
Falling Rolls	2,213cr
School Funding Formula	<u>3,562</u>
	<u>5,075</u>
 Increase in Early Years Places	 <u>40</u>
 Increase in Central Costs	
Pay and contract inflation	400
Statements increase in unit value	170
SEN Plan	150
Special staff costs	85
Schools	
Contingency	56
Contribution to	
LSCB	<u>24</u>
	<u>885</u>
 Reduction in Central Costs	
Transfer of Area Based Grants to	
Children and Young Peoples Budget	171cr
Net SEN reduction	93cr
Rates and Insurances	<u>48cr</u>
	<u>312cr</u>
 Schools Budget Total	 194,488
 Net Schools Budget	 493

SCHOOLS BUDGET

	2009-10	2010-11
	Base Budget	Base Budget
	£	£
Expense		
Employees	54,785,100	56,221,900
Premises	3,222,100	3,139,900
Transport	216,300	114,500
Supplies and Services	8,220,900	8,255,900
Third Party Payments	192,862,100	200,785,500
Transfer Payments	524,400	304,500
Support Services	2,185,400	2,073,800
Expense Total	262,016,300	270,896,000
Income		
Government Grants	(230,953,500)	(241,390,900)
Other Grants and Reimbursements	(24,948,600)	(23,883,600)
Customer and Client Receipts	(2,090,200)	(1,793,800)
Recharge to Other Revenue Accounts	(3,360,300)	(3,334,500)
Income Total	(261,352,600)	(270,402,800)
Grand Total	663,700	493,200

SCHOOLS BUDGET

	2009-10 Base Budget £	2010-11 Base Budget £
Dedicated School Grant Total	(188,136,200)	(193,995,400)
Schools		
Primary Schools	75,383,300	78,438,000
Secondary Schools	78,108,400	79,594,800
Special Schools	13,783,300	14,279,700
Nursery Schools	1,106,800	1,144,200
Schools Total	168,381,800	173,456,700
Non Delegated School Costs		
Milk & Meals	344,200	346,800
Statements	3,746,200	4,694,400
Support For SEN	3,003,600	2,995,500
Wirral Alternative School Provision	941,500	964,000
Education Out Of School	169,900	243,700
OLEA	521,800	401,500
Early Years	4,606,500	4,738,000
Childrens Centres	-	-
General Surestart	-	-
Indep Special School Fees	3,312,500	2,773,200
Library Service	197,700	195,300
Licences & Subs	57,100	57,100
Insurances	65,400	65,400
Admissions	455,400	459,300
School Specific Contingencies	1,435,300	1,507,100
Special Staff Costs	825,600	928,900
Schools Forum	10,600	10,600
Miscellaneous	176,400	177,300
Contribution to Combined Budgets	418,100	442,100
Non Delegated School Costs Total	20,287,800	21,000,200
Non Devolved Grant/Funded Expenditure		
Standards Fund	130,300	31,700
Other Specific Grants	-	-
Non Devolved Grant/Funded Expenditure Total	130,300	31,700
Grand Total	663,700	493,200

SCHOOLS BUDGET

	2009-10 Base Budget	2010-11 Base Budget
Dedicated Schools Grant		
Government Grants	(188,136,200)	(193,995,400)
Dedicated School Grant Total	(188,136,200)	(193,995,400)
Non Delegated School Costs		
Admissions		
Expense		
Employees	52,100	52,100
Support Services	403,300	407,200
Admissions Total	455,400	459,300
Early Years		
Expense		
Employees	270,900	274,000
Supplies and Services	4,049,800	4,175,700
Third Party Payments	404,300	1,685,500
Support Services	285,600	288,300
Expense Total	5,010,600	6,423,500
Income		
Government Grants	(404,300)	(1,685,500)
Childrens Centres Total	4,606,300	4,738,000
Childrens Centres		
Expense		
Employees	5,317,100	5,325,700
Premises	507,500	602,800
Transport	734,400	725,000
Supplies and Services	80,000	80,000
Third Party Payments	746,400	454,500
Support Services	67,700	30,700
Expense Total	7,553,100	7,218,700
Income		
Government Grants	(1,803,100)	(1,185,800)
Other Grants and Reimbursements	(5,750,000)	(6,032,900)
Income Total	(7,553,100)	(7,218,700)
Childrens Centres Total	-	-
Contribution to Combined Budgets Total	418,100	442,100

SCHOOLS BUDGET

	<u>2009-10 Base Budget</u>	<u>2010-11 Base Budget</u>
General Surestart		
Expense		
Employees	1,413,200	1,520,900
Premises	40,300	22,500
Transport	154,300	162,400
Supplies and Services	150,000	151,500
Third Party Payments	2,039,000	2,813,800
Support Services	15,300	22,500
Expense Total	<u>3,812,100</u>	<u>4,693,600</u>
Income		
Government Grants	(3,812,100)	(4,688,700)
Recharge to Other Revenue Accounts	-	(4,900)
Income Total	<u>(3,812,100)</u>	<u>(4,693,600)</u>
Early Years Total	<u>-</u>	<u>-</u>
Education Out Of School		
Expense		
Employees	169,900	243,700
Education Out Of School Total	<u>169,900</u>	<u>243,700</u>
Indep Special School Fees		
Expense		
Employees	3,948,000	3,422,300
Support Services	17,300	17,400
Expense Total	<u>3,965,300</u>	<u>3,439,700</u>
Income		
Other Grants and Reimbursements	(652,800)	(666,500)
Indep Special School Fees Total	<u>3,312,500</u>	<u>2,773,200</u>
Insurances		
Expense		
Premises	65,400	65,400
Insurances Total	<u>65,400</u>	<u>65,400</u>

	2009-10 Base Budget	2010-11 Base Budget
Library Service		
Expense		
Employees	116,800	118,400
Premises	4,000	-
Transport	500	500
Supplies and Services	80,500	72,500
Support Services	50,300	50,300
Expense Total	<u>252,100</u>	<u>241,700</u>
Income		
Recharge to Other Revenue Accounts	(54,400)	(46,400)
Library Service Total	<u>197,700</u>	<u>195,300</u>
Licences & Subs		
Expense		
Supplies and Services	57,100	57,100
Licences & Subs Total	<u>57,100</u>	<u>57,100</u>
Milk & Meals		
Expense		
Employees	3,113,100	2,921,400
Premises	230,900	197,100
Transport	7,700	7,700
Supplies and Services	1,806,200	1,952,800
Support Services	417,400	421,400
Expense Total	<u>5,575,300</u>	<u>5,500,400</u>
Income		
Government Grants	(658,300)	(658,300)
Customer and Client Receipts	(1,737,400)	(1,643,800)
Recharge to Other Revenue Accounts	(2,835,400)	(2,851,500)
Income Total	<u>(5,231,100)</u>	<u>(5,153,600)</u>
Milk & Meals Total	<u>344,200</u>	<u>346,800</u>
Miscellaneous		
Expense		
Supplies and Services	66,600	66,600
Third Party Payments	11,600	11,600
Support Services	98,200	99,100
Expense Total	<u>176,400</u>	<u>177,300</u>
Miscellaneous Total	<u>176,400</u>	<u>177,300</u>

	2009-10 Base Budget	2010-11 Base Budget
OLEA		
Expense		
Supplies and Services	665,900	524,100
Income		
Other Grants and Reimbursements	(144,100)	(122,600)
OLEA Total	521,800	401,500
Wirral Alternative School Provision		
Expense		
Employees	799,900	759,200
Premises	83,200	160,600
Transport	32,900	24,500
Supplies and Services	212,100	164,200
Third Party Payments	17,800	69,400
Transfer Payments	139,900	-
Support Services	108,700	58,100
Expense Total	1,394,500	1,236,000
Income		
Government Grants	(60,200)	(62,000)
Customer and Client Receipts	(352,800)	(150,000)
Recharge to Other Revenue Accounts	(40,000)	(60,000)
Income Total	(453,000)	(272,000)
Wirral Alternative School Provision Total	941,500	964,000
School Specific Contingencies		
Expense		
Employees	950,100	918,200
Premises	35,700	30,700
Supplies and Services	3,100	3,100
Transfer Payments	438,600	547,300
Support Services	7,800	7,800
School Specific Contingencies Total	1,435,300	1,507,100
Schools Forum		
Expense		
Supplies and Services	10,600	10,600
Schools Forum Total	10,600	10,600

	2009-10 Base Budget	2010-11 Base Budget
Special Staff Costs		
Expense		
Employees	822,100	925,400
Support Services	3,500	3,500
Special Staff Costs Total	<u>825,600</u>	<u>928,900</u>
Statements		
Expense		
Employees	777,000	1,167,800
Supplies and Services	107,100	95,900
Third Party Payments	3,755,600	4,343,300
Support Services	32,400	32,700
Expense Total	<u>4,672,100</u>	<u>5,639,700</u>
Income		
Other Grants and Reimbursements	<u>(925,900)</u>	<u>(945,300)</u>
Statements Total	<u>3,746,200</u>	<u>4,694,400</u>
Support For SEN		
Expense		
Employees	2,729,300	2,863,000
Transport	34,000	28,600
Supplies and Services	70,300	43,200
Third Party Payments	37,100	37,100
Transfer Payments	81,600	1,600
Support Services	505,600	431,200
Expense Total	<u>3,457,900</u>	<u>3,404,700</u>
Income		
Government Grants	(188,200)	(199,800)
Recharge to Other Revenue Accounts	<u>(266,100)</u>	<u>(209,400)</u>
Income Total	<u>(454,300)</u>	<u>(409,200)</u>
Support For SEN Total	<u>3,003,600</u>	<u>2,995,500</u>
Non Delegated School Costs Total	<u>20,287,800</u>	<u>21,000,200</u>

	2009-10 Base Budget	2010-11 Base Budget
Non Devolved Grant/Funded Expenditure		
Other Specific Grants		
Expense		
Employees	2,323,700	1,608,500
Supplies and Services	62,400	62,400
Expense Total	<u>2,386,100</u>	<u>1,670,900</u>
Income		
Government Grants	(451,300)	(355,300)
Other Grants and Reimbursements	(1,934,800)	(1,315,600)
Income Total	<u>(2,386,100)</u>	<u>(1,670,900)</u>
Other Specific Grants Total	<u>-</u>	<u>-</u>
Standards Fund		
Expense		
Employees	21,135,100	23,124,500
Supplies and Services	140,300	140,300
Support Services	25,300	25,300
Expense Total	<u>21,300,700</u>	<u>23,290,100</u>
Income		
Government Grants	(21,006,000)	(23,096,100)
Recharge to Other Revenue Accounts	(164,400)	(162,300)
Income Total	<u>(21,170,400)</u>	<u>(23,258,400)</u>
Standards Fund Total	<u>130,300</u>	<u>31,700</u>
Non Devolved Grant/Funded Expenditure Total	<u>130,300</u>	<u>31,700</u>
Schools		
Nursery Schools		
Expense		
Employees	50,100	51,100
Premises	25,000	18,700
Third Party Payments	1,081,800	1,125,500
Expense Total	<u>1,156,900</u>	<u>1,195,300</u>
Income		
Government Grants	(50,100)	(51,100)
Nursery Schools Total	<u>1,106,800</u>	<u>1,144,200</u>

	2009-10 Base Budget	2010-11 Base Budget
Primary Schools		
Expense		
Employees	4,852,700	4,954,700
Premises	839,700	910,100
Third Party Payments	74,543,600	77,527,900
Expense Total	<u>80,236,000</u>	<u>83,392,700</u>
Income		
Government Grants	<u>(4,852,700)</u>	<u>(4,954,700)</u>
Primary Schools Total	<u>75,383,300</u>	<u>78,438,000</u>
Secondary Schools		
Expense		
Employees	5,033,900	5,050,400
Premises	1,290,400	1,132,000
Third Party Payments	96,305,900	98,110,600
Expense Total	<u>102,630,200</u>	<u>104,293,000</u>
Income		
Government Grants	(5,033,900)	(5,050,400)
Other Grants and Reimbursements	(19,487,900)	(19,647,800)
Income Total	<u>(24,521,800)</u>	<u>(24,698,200)</u>
Secondary Schools Total	<u>78,108,400</u>	<u>79,594,800</u>
Special Schools		
Expense		
Employees	550,200	560,700
Third Party Payments	13,783,300	14,279,700
Expense Total	<u>14,333,500</u>	<u>14,840,400</u>
Income		
Government Grants	<u>(550,200)</u>	<u>(560,700)</u>
Special Schools Total	<u>13,783,300</u>	<u>14,279,700</u>
Schools Total	<u>168,381,800</u>	<u>173,456,700</u>
Grand Total	<u>663,700</u>	<u>493,200</u>

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WIRRAL COUNCIL

CABINET

22 FEBRUARY 2010

REPORT OF THE DIRECTOR OF FINANCE

TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2010 TO 2013

1. EXECUTIVE SUMMARY

- 1.1. This report sets out the Treasury Management and Investment Strategy for 2010-2013 in accordance with the CIPFA Code of Practice for Treasury Management in Public Services.

2. TREASURY MANAGEMENT AND INVESTMENT STRATEGY STATEMENTS

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services requires local authorities to determine the Treasury Management Strategy Statement. This statement incorporates the Investment Strategy, as required under the Department for Communities and Local Government (DCLG) Investment Guidance. Together, these cover the Council financing and investment strategy for the forthcoming financial year.
- 2.2 CIPFA has defined treasury management as:
“the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.3 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
- 2.4 The Council acknowledges that effective treasury management will provide support towards the achievement of business and service objectives. The Council is 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.

Treasury Management and Investment Strategy 2010-11 to 2012-13

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

- The Treasury Management Strategy for 2010-13 - 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 – policy on the repayment of long term debt.
- Authorised signatories for treasury management activities.
- The adoption of the revised CIPFA Treasury Management Code of Practice.

3. FINANCIAL IMPLICATIONS

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

4. STAFFING IMPLICATIONS

4.1. There are none arising out of this report.

5. EQUAL OPPORTUNITIES/EQUALITY IMPACT ASSESSMENT

5.1. There are none arising out of this report.

6. COMMUNITY SAFETY IMPLICATIONS

6.1. There are none arising out of this report.

7. LOCAL AGENDA 21 IMPLICATIONS

7.1. There are none arising out of this report.

8. PLANNING IMPLICATIONS

8.1. There are none arising out of this report.

9. ANTI-POVERTY IMPLICATIONS

9.1. There are none arising out of this report.

10. SOCIAL INCLUSION IMPLICATIONS

10.1. There are none arising out of this report.

Treasury Management and Investment Strategy 2010-11 to 2012-13

11. LOCAL MEMBER SUPPORT IMPLICATIONS

11.1. None for this report

12. BACKGROUND PAPERS

- DCLG Local Authority Investment Guidance, 2004
- DCLG Changes to the Capital Financing System Consultation, 2009
- Code of Practice for Treasury Management in Public Services (Fully Revised Second Edition), CIPFA 2009.
- Prudential Code for Capital Finance in Local Authorities (Fully Revised Second Edition), CIPFA 2009.

13. RECOMMENDATIONS

- 13.1 That Members approve the Treasury Management and Investment Strategy for 2010 to 2013.
- 13.2 That the Prudential Indicators be adopted.
- 13.3 That Members approve the Minimum Revenue Provision policy.
- 13.4 That the Council Officers listed in Appendix F be authorised to approve payments from Council bank accounts for all treasury management activities.
- 13.5 That the revised CIPFA Treasury Management Code of Practice be adopted.

IAN COLEMAN
DIRECTOR OF FINANCE

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Wirral Council
Treasury Management Strategy
Statement and Investment Strategy
2010-11 to 2012-13

Treasury Management and Investment Strategy 2010-11 to 2012-13

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1. Background
2. Balance Sheet and Treasury Position
3. Outlook for Interest Rates
4. Borrowing Requirement and Strategy
5. Debt Rescheduling
6. Investment Policy and Strategy
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8. Balanced Budget Requirement
9. 2010-11 MRP Statement
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APPENDICES

- A. Current and Projected Portfolio Position
- B. Prudential Indicators
- C. Interest Rate Outlook
- D. Specified and Non- Specified Investments for use by the Council
- E. Authorised Signatories

Treasury Management and Investment Strategy 2010-11 to 2012-13

1. Background

- 1.1 The Chartered Institute of Public Finance and Accountancy Code of Practice for Treasury Management in Public Services (the “CIPFA TM Code”) requires local authorities to determine the Treasury Management Strategy Statement (TMSS). This statement also incorporates the Investment Strategy, as required under the Department for Communities and Local Government (DCLG) Investment Guidance. Together, these cover the financing and investment strategy for the forthcoming financial year.
- 1.2 In response to the financial crisis in 2008 and the collapse of the Icelandic banks, CIPFA revised the TM Code and Guidance Notes as well as the Prudential Indicators. DCLG is also in the process of revising and updating the Investment Guidance.
- 1.3 CIPFA has defined treasury management as:
“the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.4 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are important and integral elements of its 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
- 1.5 The Council acknowledges that effective treasury management will provide support towards the achievement of its objectives. It is, therefore, committed to the principles of achieving value for money and to employing suitable comprehensive performance measurement techniques within the context of effective treasury management.
- 1.6 The strategy also takes into account the impact of the Council Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected treasury position (Appendix A), the prudential indicators (Appendix B) and the outlook for interest rates (Appendix C).
- 1.7 The purpose of this Treasury Management Strategy Statement is to approve:
- Treasury Management Strategy for 2010-11 (Borrowing - Section 4, Debt Rescheduling - Section 5, Investments - Section 6)
 - Prudential Indicators (Appendix B note: PI No. 6 - The Authorised Limit is a statutory limit)
 - MRP Statement – Section 9

Treasury Management and Investment Strategy 2010-11 to 2012-13

- Use of Specified and Non-Specified Investments – Appendices D

2. Balance Sheet and Treasury Position

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

	31 Mar 10 Revised £m	31 Mar 11 Estimate £m	31 Mar 12 Estimate £m	31 Mar 13 Estimate £m
CFR	385	387	379	369
Balances & Reserves	94	91	90	90
Net Balance Sheet Position	291	296	289	279

2.2 The level of physical debt and investments is linked to these components of the Balance Sheet. The current portfolio position is set out at Appendix A. Market conditions, interest rate expectations and credit risk considerations will influence the strategy in determining the borrowing and investment activity against the underlying Balance Sheet position.

2.3 As the CFR represents the level of borrowing for capital purposes and revenue expenditure cannot be financed from borrowing, net physical external borrowing should not exceed the CFR other than for short term cash flow requirements. It is permissible under the Prudential Code to borrow in advance of need up to the level of the estimated CFR over the term of the Prudential Indicators. Where this takes place the cash will form part of its invested sums until the related capital expenditure is incurred. This being the case net borrowing should not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years other than in the short term due to cash flow requirements. The draft revisions to the DCLG Investment Guidance recommend that the Strategy should state Authority policies on investing money borrowed in advance of need.

2.4 The move to International Financial Reporting Standards (IFRS) has implications for the Capital Financing Requirement components on the balance sheet. Analysis of Private Finance Initiative (PFI) schemes and operating leases against IFRS requirements may result in the related long term assets and liabilities being brought onto the Council balance sheet. The estimates for the CFR and Long Term Liabilities will, therefore, need to take into account such items. This will influence the determination of the Affordable Borrowing Limit and Operational Boundary.

2.5 The estimate for interest payments in 2010-11 is £11m and for interest receipts is £0.7m. (These figures exclude the interest cost of the PFI schemes that may be brought on to the balance sheet.)

3. Outlook for Interest Rates

- 3.1 The economic interest rate outlook provided by the treasury advisor, Arlingclose, is attached at Appendix C. Financial markets remain reasonably volatile as the structural changes necessary within economies and the banking system evolve. This volatility provides opportunities for active treasury management. The Council will reappraise the strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

4. Borrowing Requirement and Strategy

- 4.1 The underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement (CFR) – see Appendix B. The CFR represents the cumulative capital expenditure of the Local Authority that has not been financed. To ensure that this expenditure will ultimately be financed, local authorities are required to make a Minimum Revenue Provision for debt redemption (MRP) from within the revenue budget each year.
- 4.2 Capital expenditure not financed from internal resources (i.e. Capital Receipts, Capital Grants and Contributions, Revenue or Reserves) will produce an increase in the CFR (the underlying need to borrow) and in turn produce an increased requirement to charge MRP in the Revenue Account.
- 4.3 Physical external borrowing may be greater or less than the CFR but in accordance with the Prudential Code, the Council will ensure that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.
- 4.4 The cumulative estimate of the maximum long-term borrowing requirement is estimated by comparing the projected CFR with the profile of the current portfolio of external debt and long term liabilities over the same financial horizon, as follows:

Treasury Management and Investment Strategy 2010-11 to 2012-13

	31 Mar 10 Revised £m	31 Mar 11 Estimate £m	31 Mar 12 Estimate £m	31 Mar 13 Estimate £m
Capital Financing Requirement	385	387	379	369
Less: Existing Profile of Borrowing and Other Long Term Liabilities	338	325	307	287
Cumulative Maximum External Borrowing Requirement	47	62	72	82
Balances & Reserves	94	91	90	90
Cumulative Net Borrowing Requirement/Investments	-47	-29	-18	-8

4.5 The strategy is to maintain maximum control over borrowing activities as well as flexibility on the loans portfolio. Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term. A prudent and pragmatic approach to borrowing will be maintained to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Prudential Indicators.

4.6 In conjunction with advice from the treasury advisor, Arlingclose, the Council will keep under review the options it has in borrowing from the PWLB, the market and other sources up to the available capacity within the CFR and Affordable Borrowing Limit (defined by CIPFA as the Authorised Limit).

The outlook for borrowing rates:

4.7 The interest rates at which the Council can borrow money from the PWLB are directly linked to gilt yields. Short-dated gilt yields are forecast to be lower than medium- and long-dated gilt yields during 2010-11. Despite additional gilt issuance to fund the UK Government support to the banking industry; short-dated gilts are expected to benefit from expectations of lower interest rates as the economy struggles through a recession. Yields for these maturities will fall as expectations for lower interest rates mount.

4.8 The differential between investment earnings and debt costs, despite long term borrowing rates being around historically low levels, remains acute and this is expected to remain a feature during 2010-11. The so-called “cost of carry” associated with long term borrowing compared to temporary investment returns means that the appetite for new long term borrowing brings with it additional short-term costs. It is not surprising that the use of internal resources in lieu of borrowing has been the most cost effective means of financing capital expenditure but, at some stage, internal resources will become depleted and require topping up.

Treasury Management and Investment Strategy 2010-11 to 2012-13

- 4.9 PWLB variable rates have fallen below 1%. They are expected to remain low as the Bank Rate is maintained at historically low levels to enable the struggling economy to emerge from the recession. Against a backdrop of interest rates remaining lower for longer and a continuation of the cost of carry backdrop, a passive borrowing strategy, i.e. borrow long term funds as they are required may remain appropriate. Equally, variable rate funds (that avoid the cost of carry) or EIP (equal instalments of principal) that mitigate the impact are both active considerations.
- 4.10 Decisions to borrow at low, variable rates of interest will be taken after considering the absolute level of longer term interest rate equivalents and the extent of variable rate earnings on investment balances. When longer term rates move below the cost of variable rate borrowing any strategic exposure to variable interest rates will be reviewed and, if appropriate, reduced.
- 4.11 The PWLB remains the preferred source of borrowing given the transparency and control that its facilities continue to provide.
- 4.12 The Council has £174m loans which are LOBO loans (Lender Option Borrower Option) all of which are currently in, or will be in, their option state in 2010-11. In the event that the lender exercises the option to change the rate or terms of the loan, the Council will consider the terms being provided and also repayment of the loan without penalty. The Council may utilise cash resources for repayment or may consider replacing the loans by borrowing from the PWLB.
- 4.13 The Council will undertake a financial options appraisal process to establish a 'value for money' judgement in the use of resources.

5. Debt Rescheduling

- 5.1 The Council will continue to maintain a flexible policy for debt rescheduling. Market volatility may provide opportunities for rescheduling debt from time to time. The rationale for rescheduling would be one or more of the following:
- Savings in interest costs with minimal risk
 - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio
 - Amending the profile of maturing debt to reduce any inherent refinancing risks
- 5.2 Any rescheduling activity will be undertaken within the treasury management policy and strategy. The Council will agree in advance with Arlingclose the strategy and framework within which debt will be repaid/rescheduled if opportunities arise. Thereafter, the debt portfolio will be monitored against equivalent interest rates and available refinancing options on a regular basis. As opportunities arise, they will be identified by Arlingclose and discussed with Council officers.

Treasury Management and Investment Strategy 2010-11 to 2012-13

- 5.3 All rescheduling activity will comply with the accounting requirements of the Local Authority SORP and regulatory requirements of the Capital Finance and Accounting Regulations (SI 2007 No 573 as amended by SI 2008/414).
- 5.4 Any borrowing and debt rescheduling activity will be reported in the next quarterly treasury management monitoring report to the Cabinet and subsequently to the Council.

6. Investment Policy and Strategy

Background

- 6.1 Guidance from the DCLG on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set.

Investment Policy

- 6.2 To comply with the DCLG guidance, the general policy objective is to invest its surplus funds prudently. The investment priorities are:

- Security of the invested capital
- Liquidity of the invested capital
- An optimum yield which is commensurate with security and liquidity

The DCLG revised draft guidance on investments reiterates security and liquidity as the primary objectives of a prudent investment policy. The speculative procedure of borrowing purely in order to invest is unlawful.

- 6.3 Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the DCLG Guidance. Potential instruments for Council use within the investment strategy are contained in Appendix D.
- 6.4 The credit crisis has refocused attention on the treasury management priority of security of capital money invested. The draft revisions to the DCLG Investment Guidance state that a specified investment is one made with a body or scheme of "high credit quality". The Council will continue to maintain a counterparty list based on these criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include credit ratings and other alternative assessments of credit strength as outlined in paragraph 6.13.
- 6.5 The DCLG revised draft guidance also recommends that the Investment Strategy should set out the procedures for determining the maximum periods for which funds may prudently be committed. Such decisions will be based on an assessment of the Balance Sheet position with the limit being set in Prudential Indicator 12 - Upper Limit for total principal sums invested over 364 days.

Treasury Management and Investment Strategy 2010-11 to 2012-13

6.6 A further recommendation in the draft guidance states that strategy should detail Authority policies on investing money borrowed in advance of spending needs, identifying any measures to minimise such investments, including any limits on:

- Amounts borrowed
- Periods between borrowing and expenditure

A comment on the management of risks, including the risk of loss of the borrowed capital and the risk associated with interest rate changes would also be expected. Limits on the amount borrowed in advance of need are identified in the Cumulative Maximum External Borrowing Requirement for future financial years set out in the table at paragraph 4.4. This also sets the periods between borrowing and expenditure. The management of risks, including the risk of loss of the borrowed capital, are identical to all forms of investment as set out in this strategy. The risks associated with interest rate changes are based on the interest rate forecast at Appendix C and the current cost of carry referred to in section 4 above.

6.7 The current level of investments is presented in Appendix A.

Investment Strategy

6.8 The global financial market storm in 2008 and 2009 has forced investors of public money to reappraise the question of risk versus yield. Income from investments is a key support in the Council budget. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates are likely to remain at very low levels which will have a significant impact on investment income. The Council strategy must, however, be geared towards this development whilst adhering to the principal objective of security of invested money.

6.9 The Director of Finance, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to the Cabinet and Council. (see section 7.0, Policy on Delegation).

Investments Managed In-House

6.10 The shorter term cashflow investments are made with reference to the outlook for the UK Bank Rate and money market rates.

6.11 In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office.

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- 6.12 Currently the Council has restricted investment activity to:
- The Debt Management Agency Deposit Facility (The rates of interest from the DMADF are below equivalent money market rates. However, the returns are an acceptable trade-off for the guarantee that capital is secure.)
 - AAA-rated Money Market Funds with a Constant Net Asset Value
 - Deposits with other local authorities
 - Business reserve accounts and term deposits
 - Bonds issued by Multilateral Development Banks
- 6.13 Conditions in the financial sector have begun to show signs of improvement, albeit with substantial intervention by Government authorities. In order to diversify the counterparty list, the use of comparable non-UK Banks for investments is now considered appropriate. The sovereign states whose banks the Council will now consider are Australia, Canada, Finland, France, Germany, Netherlands, Spain, Switzerland and the U.S.A. These countries and the banks within them will be selected after analysis and careful monitoring of:
- Credit Ratings (minimum long-term A+)
 - Credit Default Swaps
 - GDP; Net Debt as a Percentage of GDP
 - Sovereign Support Mechanisms or potential support from a well-resourced parent institution
 - Share Price
- 6.14 The Council has also taken into account information on corporate developments and market sentiment towards the counterparties. The Council and the treasury advisors, Arlingclose, will continue to analyse and monitor these indicators and credit developments on a regular basis and respond as necessary to ensure security of the capital sums invested.
- 6.15 There remains a heightened state of sensitivity to risk. Vigilance is key. This modest expansion of the counterparty list is an incremental step. In order to meet requirements of the revised CIPFA Treasury Management Code, the Council is focusing on a range of indicators (as stated above), not just credit ratings.
- 6.16 Limits for Specified Investments are set out in Appendix D.

Treasury Management and Investment Strategy 2010-11 to 2012-13

- 6.17 To protect against a prolonged period of low interest rates, 1-year deposits and longer-term secure investments will be actively considered within the limits the Council has set for Non-Specified Investments (see Appendix D). The longer-term investments will be likely to include:
- **Supranational bonds (bonds issued by multilateral development banks):** The joint and individual pan European Government guarantees in place on these bonds provide security of the principal invested. Even at the lower yields likely to be in force, the return on these bonds could be attractive relative to the increasingly low outlook for official interest rates.
 - **UK Government guaranteed bonds and debt instruments issued by banks/building societies:** The Government 2008 Credit Guarantee Scheme permits specific UK institutions to issue short-dated bonds with an explicit Government guarantee. The bonds are issued at a margin over the underlying gilt and would be a secure longer-term investment option. (These bonds would, under existing statute, be capital expenditure investments.)

Investments which constitute capital expenditure

- 6.18 Investments meeting the definition of capital expenditure can be financed from capital or revenue resources. They are also subject to the DCLG Guidance on Non-Specified Investments. Placing of such investments has accounting, financing and budgetary implications. Whilst it is permissible to fund capital investments by increasing the underlying need to borrow, it should be noted that under the DCLG MRP Guidance, MRP must be applied over a 20 year period.
- 6.19 The Council has determined a maximum of £10m limit to investments which constitute capital expenditure.
- 6.20 All investment activity will comply with the accounting requirements of the Local Authority SORP.

7. Policy on Delegation

- 7.1 The Council has responsibility for all matters concerned with treasury management. These are delegated to the Director of Finance in accordance with the Constitution scheme of delegation.
- 7.2 On a day to day basis the Treasury Management Team within the Accountancy Section carries out the treasury management activities.

Treasury Management and Investment Strategy 2010-11 to 2012-13

- 7.3 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 treasury management strategy and policies outlined in this report.
- 7.4 Actual authorisation of payments from the 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.
- 7.5 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 the Cabinet and subsequently to the Council.
- 7.6 All officers will act in accordance with the policies contained within this document.

8. Balanced Budget Requirement

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

9. 2010-11 MRP Statement

- 9.1 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.

- 9.2 The four MRP options available are:
Option 1: Regulatory Method
Option 2: CFR Method
Option 3: Asset Life Method
Option 4: Depreciation Method

This does not preclude other prudent methods

- 9.3 MRP in 2010-11: 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).
- 9.4 The MRP Statement will be submitted to Council before the start of the 2010-11 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.

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- 9.5 The Council will apply Option 1 in respect of supported capital expenditure and Option 3 in respect of unsupported capital expenditure.
- 9.6 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.
- 9.7 MRP in respect of PFI and leases brought on Balance Sheet under the 2009 SORP and IFRS will also be calculated using Option 3 and will match the annual principal repayment for the associated deferred liability.

10. Reporting on the Treasury Outturn

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

EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio as at 31 Dec 09 £m	%	31-Mar-10 Revised £m	31-Mar-11 Estimate £m	31-Mar-12 Estimate £m	31-Mar-13 Estimate £m
External Borrowing:						
Fixed Rate – PWLB	100.53	36.67	113.91	113.25	111.19	109.16
Fixed Rate – Market	173.60	63.33	173.60	173.60	173.60	170.50
Variable Rate – PWLB	0.00	0.00	0.00	0.00	0.00	0.00
Variable Rate – Market	0.00	0.00	0.00	0.00	0.00	0.00
Existing Long-Term liabilities	274.13	100.00	287.51	286.85	284.79	279.66
IFRS Long-Term Liabilities:						
PFI (2009/10)	0.00	0.00	65.00	62.05	59.09	56.14
Operating Leases (2010/11 onwards)	0.00	0.00	0.00	7.00	6.00	5.00
Total External Debt	274.13	100.00	352.51	355.90	349.88	340.80
Investments:						
<i>Managed in-house</i>						
Deposits with Banks and Building Societies	93.00	86.11	64.00	58.00	57.00	57.00
Deposits with Money Market Funds	14.00	12.96	28.00	28.00	28.00	28.00
Deposits in Supranational Bonds and Gilts	1.00	0.93	2.00	5.00	5.00	5.00
Total Investments	108.00	100.00	94.00	91.00	90.00	90.00
Net Borrowing Position	166.13		193.51	195.85	194.79	189.66

PRUDENTIAL INDICATORS 2010-11 TO 2012-13

1. Background

1.1 There is a requirement under the Local Government Act 2003 for local authorities to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. Net Borrowing and the Capital Financing Requirement

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

2.2 The Director of Finance reports that the Authority had no difficulty meeting this requirement in 2009/10, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. Estimates of Capital Expenditure

3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

No. 1	Capital Expenditure	2009-10	2009-10	2010-11	2011-12	2012-13
		Approved £m	Revised £m	Estimate £m	Estimate £m	Estimate £m
	Total	80	92	79	47	39

3.2 Capital expenditure will be financed as follows:

Capital Financing	2009-10	2009-10	2010-11	2011-12	2012-13
	Approved £m	Revised £m	Estimate £m	Estimate £m	Estimate £m
Capital receipts	4	4	3	3	3
Capital Grants	48	70	61	33	26
Revenue contributions	0	1	1	0	0
Supported borrowing	7	7	5	5	3
Unsupported borrowing	21	10	9	6	7
Total	80	92	79	47	39

Note: the element to be financed from borrowing impacts on the movement in the Capital Financing Requirement.

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4. Ratio of Financing Costs to Net Revenue Stream

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

4.2 The ratio is based on costs net of investment income.

No. 2	Ratio of Financing Costs to Net Revenue Stream	2009-10	2009-10	2010-11	2011-12	2012-13
		Approved %	Revised %	Estimate %	Estimate %	Estimate %
	Total	7.04	8.26	8.74	8.66	8.28

5. Capital Financing Requirement

5.1 The Capital Financing Requirement (CFR) measures the 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. It is an aggregation of the amounts shown for Fixed and Intangible Assets, the Revaluation Reserve, the Capital Adjustment Account, Government Grants Deferred and any other balances treated as capital expenditure.

No. 3	Capital Financing Requirement	31.3.10	31.3.10	31.3.11	31.3.12	31.3.13
		Approved £m	Revised £m	Estimate £m	Estimate £m	Estimate £m
	Total CFR	347.6	385.0	387.3	378.7	369.0

5.2 The year on year change in the CFR is due to the following:

Capital Financing Requirement	2009-10	2009-10	2010-11	2011-12	2012-13
	Approved £m	Revised £m	Estimate £m	Estimate £m	Estimate £m
Balance B/F	333.5	319.4	385.0	387.3	378.7
Capital expenditure financed from borrowing	28.2	17.4	14.3	10.9	10.0
Items brought back on to the balance sheet (PFI & leases)	0	65.0	7.0	0	0
Revenue provision for debt Redemption.	-9.6	-11.8	-14.0	-14.5	-14.7
Principal repayments of transferred debt by other Merseyside Local Authorities	-4.5	-5.0	-5.0	-5.0	-5.0
Balance C/F	347.6	385.0	387.3	378.7	369.0

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6. Actual External Debt

- 6.1 This indicator is obtained directly from the balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

No. 4	Actual External Debt as at 31.03.2009	£m
	Borrowing	
	Total	296.2

7. Incremental Impact of Capital Investment Decisions

- 7.1 This is an indicator of affordability that 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.

No. 5	Incremental Impact of Capital Investment Decisions	2009-10	2010-11	2011-12	2012-13
		Approved £	Estimate £	Estimate £	Estimate £
	Increase in Band D Council Tax	24.87	8.47	3.73	2.82

- 7.2 The increase in Band D Council Tax reflects the increases in running costs and/or increases in the provision for Capital Financing Charges to undertake borrowing arising from the proposed capital programme.

8. Authorised Limit and Operational Boundary for External Debt:

- 8.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.
- 8.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with existing commitments, proposals for capital expenditure and financing and the approved treasury management policy statement and practices.

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- 8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.
- 8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

No. 6	Authorised Limit for External Debt	2009-10	2009-10	2010-11	2011-12	2012-13
		Approved £m	Revised £m	Estimate £m	Estimate £m	Estimate £m
	Borrowing	465	411	469	467	457
	Other Long Term Liabilities	10	73	15	8	8
	Total	475	484	484	475	465

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

No. 7	Operational Boundary for External Debt	2009-10	2009-10	2010-11	2011-12	2012-13
		Approved £m	Revised £m	Estimate £m	Estimate £m	Estimate £m
	Borrowing	455	401	459	457	447
	Other Long Term Liabilities	5	68	10	3	3
	Total	460	469	469	460	450

9. Adoption of the CIPFA Treasury Management Code

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

No. 8	Adoption of the CIPFA Code of Practice in Treasury Management
	Council will approve the adoption of the CIPFA Code of Treasury Management at its meeting on 1 March 2010.

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10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- 10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Council calculates these limits on net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments).
- 10.2 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.
- 10.3 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.

		2009-10	2009-10	2010-11	2011-12	2012-13
		Approved	Revised	Estimate	Estimate	Estimate
		%	%	%	%	%
No. 9	Upper Limit for Fixed Interest Rate Exposure					
	Borrowings	100	100	100	100	100
	Investments	100	100	100	100	100
	Net	200	200	200	200	200
No. 10	Upper Limit for Variable Rate Exposure					
	Borrowings	50	50	50	50	50
	Investments	100	100	100	100	100
	Net	150	150	150	150	150

- 10.4 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 treasury management strategy.

11. Maturity Structure of Fixed Rate borrowing

- 11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.
- 11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

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No. 11	Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %
	under 12 months	0	100
	12 months and within 24 months	0	100
	24 months and within 5 years	0	100
	5 years and within 10 years	0	100
	10 years and above	0	100

12. Upper Limit for Total Principal Sums Invested Over 364 Days

- 12.1 The purpose of 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.

No. 12	Upper Limit for Total Principal Sums Invested Over 364 Days	2009-10	2009-10	2010-11	2011-12	2012-13
		Approved £m	Revised £m	Estimate £m	Estimate £m	Estimate £m
		30	30	30	30	30

ARLINCLOSE ECONOMIC AND INTEREST RATE FORECAST

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Official Bank Rate													
Upside risk			+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	0.50	0.50	0.50	1.00	1.50	2.00	2.50	3.00	3.00	3.00	3.00	3.00	3.00
Downside risk				-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
1-yr LIBID													
Upside risk			+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	1.25	1.25	1.50	1.75	2.25	3.00	3.50	4.00	4.00	4.00	4.00	4.00	4.00
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5-yr gilt													
Upside risk	+0.25	+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	2.70	2.80	2.90	3.00	3.25	3.50	3.75	4.00	4.25	4.25	4.25	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
10-yr gilt													
Upside risk		+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.50	+0.50	+0.50	+0.50
Central case	3.75	3.75	4.00	4.00	4.25	4.25	4.50	4.50	4.75	5.00	5.00	5.00	5.00
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt													
Upside risk	+0.25	+0.50	+0.50	+0.50	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.50	+0.50	+0.50
Central case	4.25	4.50	4.75	4.75	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
50-yr gilt													
Upside risk	+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	4.25	4.50	4.50	4.50	4.75	4.75	4.75	4.75	4.75	5.00	5.00	4.75	4.75
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

- The recovery in growth is likely to be slow and uneven, more “W” than “V” shaped. The Bank of England will stick to its lower-for-longer stance on policy rates.
- Gilt yields will remain volatile; Yields have been compressed by Quantitative Easing (QE) and will rise once QE tapers off and if Government debt remains at record high levels.
- The path of the base rate has been downgraded to reflect the fragile state of the recovering economy and the severe fiscal correction that will be coming post General Election that will dampen aggregate demand and cut household cashflow. Expectations of central bank exit strategies and their timing will increase volatility in sovereign bond yields and equities.
- There are significant threats to the forecast from potential downgrades to sovereign ratings and/or political instability.

Underlying assumptions:

- The Bank of England’s Quantitative Easing (QE) program which injected £200bn to insure against the downside risks to growth and stimulate the economy officially ends 26 January 2010. We estimate that QE has depressed gilt yields by around 0.7%.
- The Bank forecasts GDP to grow by 4% in 2011 but concedes growth could be impeded by corporate and consumer balance sheet adjustments, restrictions in bank credit and consumers’ cautious

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spending behaviour. This is an optimistic forecast in our view; Evidence of recovery is scant with weak real economic data and rising unemployment. Quarter four 2009 grew by just 0.1%.

- Looming bank regulation and liquidity and capital requirements will curb bank lending activity. The Bank retains the option to reduce the rate on commercial banks' deposits to encourage them to lend. But FSA regulations will force banks to buy more gilts which could help slow the rise in yields in 2010/11.
- The employment outlook remains uncertain. Pay freezes, short hours, job cuts and a migration toward part time employment will continue into 2010 keeping the headline unemployment number down.
- Inflation is not an immediate worry for the Bank which forecasts CPI to rise due to higher commodity prices and VAT reverting to 17.5%. Commodity prices and VAT will push inflation over 3% prompting a letter from the Bank's Governor to the Chancellor in quarter one 2010.
- The UK fiscal deficit remains acute. Cuts in public spending and tax increases are now inevitable and more likely to be pushed through in 2010 by a new Government with a clear majority, however a hung parliament cannot be ruled out and would be potentially disruptive to financial markets.
- The net supply of gilts will rise to unprecedented levels in 2010. Failure to articulate and deliver on an urgent and credible plan to lower Government borrowing to sustainable levels over the medium term will be negative for gilts.
- The Federal Reserve Chairman Bernanke's diagnosis of a weak U.S. economy and labour market signal that the Fed's "extended period" of low rates may get even longer. The outlook for the Eurozone is more optimistic but the European Central Bank will only increase rates after a durable upturn in growth.

SPECIFIED AND NON SPECIFIED INVESTMENTS

DCLG has produced draft revised Investment Guidance for Local Authorities in England and this section would therefore be subject to review and amendment if the final version differs from the draft.

Specified Investments

Specified Investments Defined

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

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

Types of Specified Investments

Specified Investments identified for Council use are:

- Deposits in the DMO Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- Certificates of deposit with banks and building societies
- Gilts : (bonds issued by the UK Government)
- Bonds issued by multilateral development banks
- AAA-rated Money Market Funds with a constant net asset value (CNAV)
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

Minimum Credit Rating Criteria for Specified Investment

For credit rated counterparties, the minimum criteria will be the short-term/long-term ratings assigned by various agencies which may include Moody’s Investors Services, Standard & Poor’s, Fitch Ratings:

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

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

This means that the Council will only make investments that have high credit rating, or above, for both long and short term investments.

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The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties and will not rely solely on these credit ratings.

Investment Limits

Counterparty Limits

For in-house investments the maximum limit per institution (UK and non-UK bank, building society and Money Market Fund) will be £15m.

Group Limits

For in-house investments the maximum limit per banking group will be £15m.

Sovereign Country Limits

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

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

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

Treasury Management and Investment Strategy 2010-11 to 2012-13

Non-Specified Investments

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

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

Treasury Management and Investment Strategy 2010-11 to 2012-13

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

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

Minimum Credit Rating Criteria for Non-Specified Investment

For credit rated counterparties, the minimum criteria will be the short-term/long-term ratings assigned by various agencies which may include Moody's Investors Services, Standard & Poor's, Fitch Ratings:

Long-term minimum: Aa3 (Moody's) or AA- (S&P) or AA- (Fitch)
Short-term minimum: P-1 (Moody's) or A-1+ (S&P) or F1+ (Fitch).

Investment Limits

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

APPENDIX E

AUTHORISED SIGNATORIES

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

Director of Finance – Ian E. Coleman

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

Head of ICT – John O. Carruthers

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

Head of Financial Services – Thomas W. Sault

Head of Support Services – Stephen J. Rowley

Head of Transformational Change – Jacqueline Roberts

Chief Accountant – Peter J. Molyneux

Chief Accountant – Robert D. Neeld

Chief Accountant – Jenny Spick

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METROPOLITAN BOROUGH OF WIRRAL

CABINET – 22 FEBRUARY 2010

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 in 2008 and 2009, the relevant sections of the Constitution and one or two suggestions made in the light of comments made in previous years. It is set out in the appendix to this report.

4. Outcome of consultation

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

5. Financial and Staffing Implications

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

6. Other Implications

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

7. Local Member Support

7.1 The report has no implications for individual wards.

8. Background Papers

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

9. Decision Required

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

Bill Norman

Director of Law, H.R. and Asset Management

2 February 2010

COUNCIL – 1 March 2010

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 22 February that require approval by the Council.

Minutes formally seconded (Councillor Holbrook)

Budget debate

There will be one debate on the Budget (Cabinet minute xxx). Any alternative proposals to those of the Cabinet should have been lodged with the Director of Law, H.R. and Asset Management by **12.00noon on Thursday 25 February**.

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

Formally seconded.

Any other amendments to the Budget recommendations are formally moved.

Each amendment is formally seconded.

Mayor calls speakers:

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

Councillor Green, speaking to Conservative budget (15 minutes)

Movers of other amendments (7 minutes)

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

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

Note: Councillor PL Davies should be allocated 5 minutes by virtue of his speaking on the Schools Budget element.)

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

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

Councillor Mrs Rennie, seconding Conservative 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 Conservative 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 10 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 - 22 FEBRUARY 2010

REPORT OF THE DIRECTOR OF TECHNICAL SERVICES

CARBON BUDGET 2010-11

EXECUTIVE SUMMARY

This report provides details for setting the Council's first Carbon Budget, as requested by Members in a Resolution which was approved by Council on the 14 December 2009, (Minute 77 refers). Members are asked to note and endorse the actions to develop a Carbon Budget across the Council.

1.0 BACKGROUND TO THE CARBON BUDGET

1.1 Climate change is now at the top of the political agenda and Local Authorities have a crucial role to play in responding to the challenge posed. Tackling climate change requires that we reduce our emissions of Greenhouse Gases and adapt to the changes in climate that will occur.

1.2 The Council has made significant progress over the last four years to significantly reduce its carbon footprint. Achievements to date include :

- February 2006 saw the renewal of a commitment to the Nottingham Declaration in a Council Motion.
- The Nottingham Declaration Working Group was set up in April 2006 comprising officers from key areas across the Council
- October 2006, Cabinet Members endorsed the development of a Climate Change Strategy for Wirral by Councillors and Officers.
- Nottingham Declaration Seminar & Workshops took place in October 2006 and 2007 in Birkenhead Park Pavilion, with key representatives from the Energy Saving Trust's Local Energy Support Programme team, GONW and Environment Agency, Consultants 'Practical Help', Council Members and key officers delivering presentations and workshops.
- June 2007, Cabinet Members agreed the Council's Climate Change Strategy and Action Plan which is consistent with, and supports a number of key National, Northwest, and Merseyside Climate Change and Sustainability strategies.
- As part of the Climate change Strategy, a Council-wide Investment in Energy Efficiency Programme (IEEP) has been developed since 2006, with phase 1 completed, and phases 2, 3 and 4 ongoing (for further details please refer to section 2 Ongoing Projects).
- Wirral's Carbon Reduction Programme comprises a series of Energy Efficiency investment schemes which have begun to reduce Council CO₂ emissions and improving energy efficiency, reducing energy needs and improving overall environmental performance.

- The previous target of a 20% CO² reduction by 2010 was achieved at the end of 2007. This target has now been replaced with the CRed target of a 60% reduction by 2025 and the Council will work with residents, communities, the public and private sectors to help them achieve their own reductions. This will require an annual reduction of 5.25% to ensure that the Council reduces its own emissions from the 2007 level of approximately 42,000 tonnes to less than 17,000 tonnes per annum by 2025.
- To enable us to work more closely with our LSP partners, the CLASP Workshop on Climate Change took place on the 7th September. The subject of the workshop was “Getting Started on NI186” which will enable us to work with our partners to actively manage our borough wide emissions.
- The Wirral Climate Change Group (WCCG), which replaced the Nottingham Declaration Working Group, has now met twice since Sep 2009. Working with existing and new strategic LSP members the Wirral Wide Strategic Climate Change Action Plan has been developed. This is also the LSP Delivery Plan which will help to address NI186. The WCCG includes Council officers and Members together with partners from Wirral NHS, Cheshire and Wirral NHS Foundation Trust, Merseytravel, Merseyside Fire & Rescue, Merseyside Police, VCAW, Forum Housing Association, Groundwork Merseyside and Transition Town West Kirby
- The Council’s Sustainability Unit has now been formed, consisting of the existing Energy Conservation Team and the newly appointed Climate Change and Sustainability (CRed) Liaison officers. The new Unit will actively manage a sustainable approach to climate change through the implementation of our Climate Change Strategy and Carbon Reduction Programme
- “Wirral CRed” the Community Carbon Reduction Programme being operated in partnership with Wirral NHS, Cheshire & Wirral Partnership NHS Trust and the University of East Anglia, has been developed and the Wirral CRed website was officially launched in November 2009.

1.3 All of these achievements and activities, including the Wirral Carbon Reduction Programme are reported to Members, on a biannual basis. The NI186 actions through the implementation of the Wirral-wide Strategic Climate Change Delivery Plan (which was adopted at the end of January 2010) will also be reported to the LSP via the Living and Working Environment Partnership Group. The Wirral Carbon Reduction Programme is also regularly monitored by the Strategic Management Team within the Technical Services Department.

1.4 In 2008 four climate change related national indicators were introduced to monitor our performance to mitigate the causes and adapt to the effects of climate change. These include :

- NI185 which measures the Councils CO₂ emission reduction progress and requires the Council to set reduction targets. Systems are now being put in place to collect this data which includes the Automatic Meter Reading system which will also provide a benefit when the

Carbon Reduction Commitment (see below) is introduced by the Government in April 2010.

- NI186 which measures the whole borough's emissions performance, which also requires us to actively work with our partners in the LSP and them to work actively with us.
- NI194 is effectively a sub set of NI185 using the same primary data to identify emissions of NOx (oxides of nitrogen) and PM10 (airborne particulate matter less than 10 micrometers in diameter) from building heating systems and our transport fleet.
- NI188 which identifies how successful we are in planning to adapt to climate change. The first year requires us to set baselines by which to measure future performance.

1.5 As has previously been reported to Cabinet, April 2010 sees the start of the Government's CRC Energy Efficiency Scheme (CRCEES) [formerly known as the Carbon Reduction Commitment] a new regulatory incentive to improve energy efficiency in large public and private sector organisations. The Council will also be responsible for administering the scheme on behalf of Wirral Schools and the Merseyside Pension Fund (MPF). A particular issue arises over the Council being the administering body for the MPF. The fund owns property and as such is treated by the regulations as being part of the Council's CO₂ emissions and management. The impact and circumstances concerning MPF property is not yet fully explored but will be built into the Carbon Budget when the details are established.

2.0 ONGOING PROJECTS

2.1 Monitoring & reporting CO₂ emissions from Energy use in Buildings, Transport Fleet & Business Mileage.

2.2 Phase 1 of the IEEP is complete this included the corporate Building Energy Management System. Installation of Burner Management Units. Leisure Services Heat Recovery Scheme. Water Reduction Scheme together with the ongoing schemes which includes the Boiler Replacement Programme.

2.3 Phases 2,3 & 4 are ongoing and include:

- Building Insulation Programme
- Electrical Energy Efficiency Scheme
- Awareness Raising Programme
- Automatic Meter Reading System
- Street Lighting Energy Efficiency Improvements
- Combined Heat & Power Invest to Save Scheme
- Solar Water Heating Schemes
- Photovoltaic Scheme at Cheshire Line Building
- Develop a bio-mass fuel contract for Floral Pavilion
- Develop & Implement a Biomass boiler installation policy
- Develop & Implement an Intelligent Luminaires policy

2.4 Ongoing work also includes the CRCEES, Display Energy Certificates, The

development and promotion of the Wirral CRed scheme together with our partners the Wirral NHS and Cheshire & Wirral Hospital NHS Trust, Hi-Tech Building designs including - High efficiency M&E design and Biomass Boiler, High levels of insulation & thermal mass, Rainwater harvesting for WC's. Passive solar design and High efficiency M&E design, High recycled content materials.

- 2.5 Other projects within Technical Services which contribute to the reduction of CO₂ emissions include: Waste and Recycling Projects, Business Mileage Reduction, Sustainable Highways & Engineering Services, Transport Fleet.

3.0 DEVELOPING A CARBON BUDGET

- 3.1 Members resolved in the Council Motion on 14 December 2009, (Minute 77 refers) to :

- Establish the Council's carbon footprint and quantify the number of tonnes of CO₂ released as a direct result of Council operations for 2010 onwards, and to bring forward proposals for quantifying CO₂ emissions as part of the procurement process for new council contracts and other spend from April 2011,
- Prepare carbon budgets detailing carbon emissions and carbon efficiency targets for each department to be presented at Budget Cabinet and Council alongside the Council's financial budget,
- And to report to Cabinet on progress made regarding the carbon budget. This report to include measures and projects to reduce carbon emissions, including an analysis to show progress being made by department and key service areas.

- 3.2 The development of a Carbon Budget for the Council will be introduced in the next financial year (2010-11). Further to the significant progress made to date as highlighted above at item 1.2, Carbon budgeting is the next logical step to further reduce the Council's carbon footprint

- 3.3 A Carbon Budget is similar to a financial budget whereby each Council service is given an allowance of CO₂ in which to operate and deliver their services. Each service's carbon budget is expected to decrease annually by its target figure with the aim that as time progresses the Council will be able to continue to deliver services to the borough whilst decreasing its carbon emissions.

- 3.4 Previous schemes to reduce the Council's CO₂ emissions have all taken place at a corporate level, however the proposed carbon budgets will enable service managers to plan for CO₂ reductions at a Departmental and operational level.

- 3.5 Whilst the Council's CO₂ emissions have significantly reduced since 2005, setting an annual carbon budget for each department will provide a clear picture of the environmental impact of the Council's spending and will help us achieve both local and national carbon reduction targets.

- 3.6 There are financial savings to be made through procurement of energy efficient and low carbon contracts, goods and services, however strong departmental leadership will be needed to ensure that financial and carbon budgeting is fully integrated into mainstream financial management and business planning activity.

- 3.7 There are also new statutory requirements that we will need to comply with:

- a) The CRC Energy Efficiency Scheme (CRCEES), a mandatory emissions trading scheme affecting large local authorities with an annual electricity bill of more than £500,000, will come into force from April 2010.
- b) The introduction of National Indicators NI185 and 194:
- c) The launch in April 2009 of the Government's Carbon Budget, linking greenhouse gas emissions with the environmental impact of total government spending.
- d) The publication by DECC in July 2009 of the UK Low Carbon Transition Plan, setting out how the UK will meet the 34% cut in emissions on 1990 levels by 2020, set out in The Budget.
- e) The publication by DCLG in July 2009 of the 'Strengthening Local Democracy Consultation', which proposes that local authorities could have a much greater role to play in tackling climate change through local carbon budgets.

4.0 SETTING A CARBON BASELINE AND APPROPRIATE TARGETS

- 4.1 The baseline and 2010-11 target for each department's CO₂ emissions has been established using the 2008-09 energy data matched to the asset management register (refer to Appendix A). A full list of the 300+ sites detailing their individual targets is available on the Council's Virtual Library.
- 4.2 By adopting the CRed reduction target of 60% by 2025 the Council requires on average a 5.25% per annum decrease in CO₂ emissions for all services, this would represent a total saving in 2010-11 of 2,388 tonnes of CO₂. However, as 3 year Departmental Business Plans are already in place it is unrealistic to expect service managers to immediately make reductions on this scale, therefore the system will work on a three year budget cycle so that service managers have time to plan and ensure that greater savings are achieved. It is expected that initial savings of 2% to 3% can be achieved but it must be ensured that the carbon budget for 2011-12 will have a cumulative saving of 10.5% and year three would see the full 15.75% saving achieved.
- 4.3 Carbon Dioxide is a by-product of the activities we undertake, emitted either directly or in-directly. The following emissions are included within the proposed Carbon Budget :
 - From the operation of Council buildings and premises
 - Electricity & stationary consumption of fuels including gas, solid fuel and heating oils).
- 4.4 Further work is required to enable emissions from the Council's fleet of vehicles and the mileage claimed by employees to be identified by each department.
- 4.5 Aside from regularity requirements detailed in this report, Council resolved on the 14 December 2009 for the Director of Finance to bring forward proposals for quantifying CO₂ emissions as part of the procurement process for new council contracts and other spend from April 2011. An appropriate CO₂ evaluation model has yet to be agreed, but it will become part of the existing environmental evaluation process in place for procuring goods and services. Careful consideration will be given to the choice of CO₂ evaluation

model to ensure that it complies with the relevant procurement regulations and enables future selection panels to undertake a like for like evaluation of CO₂ emissions from differing bids.

5.0 SERVICE DELIVERY

- 5.1 Service managers can plan to meet their Carbon Budgets by complying with the Corporate Objective to reduce the Council's Carbon Footprint. Departments can develop and incorporate CO₂ emissions management into service level decision making. They will include carbon management in their Service Delivery Plans, setting out how they aim to operate within their agreed carbon budget.
- 5.2 Department managers must ensure that they deliver services within their agreed carbon budget across buildings, fleet, and business mileage emissions. Service managers must complete a mitigation plan under the Environmental Management System ISO14001. The top three or four significant impacts identified for each service will be included in an Environmental Impact Statement within the Departmental Business Plan.
- 5.3 Service managers must provide exemptions\justification where they know they will not meet the budget during the three year cycle due to a growth area, expansion of the business or unexpected legislation. Service managers will be required to justify their Carbon Budget at the same time as they justify their Financial Budgets.
- 5.4 The carbon budget process will require regular auditing to provide evidence of compliance and to identify strengths and weaknesses in the system. It will also ensure repeatability in the system, providing support for any assumptions required in calculating emissions and validity before a public statement. This can be achieved by using the data from the CRCEES evidence pack which will be available for audit by the Environment Agency.

6.0 EQUAL OPPORTUNITIES IMPLICATIONS

- 6.1 There are no equal opportunities implications in this report.

7.0 PLANNING AND ANTI-POVERTY IMPLICATIONS

- 7.1 There are no planning and anti-poverty implications in this report.

8.0 COMMUNITY SAFETY IMPLICATIONS

- 8.1 There are no community safety implications in this report.

9.0 HUMAN RIGHTS IMPLICATIONS

- 9.1 There are no local human rights implications arising from this report.

10.0 ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

- 10.1 This will significantly help to break down the corporate target to constituent services and help to reduce emissions whilst increasing service delivery. It will also aid in preparations for the introduction of the CRCEES and help to achieve National Indicator 185 & 194 targets.

10.2 This section in future reports could be used by departments to describe the positive or negative environmental implications associated with their carbon emissions resulting from the implementation of carbon budgets by Services at an operational level.

11.0 ACCESS TO INFORMATION ACT

11.1 There are no implications under this heading.

12.0 LOCAL MEMBER SUPPORT IMPLICATIONS

12.1 There are local Member implications for all Wards arising from this report.

13.0 FINANCIAL AND STAFFING IMPLICATIONS

13.1 Relevance of 1 tonne of CO₂

1 tonne CO₂ = 1,912 kWh of grid electricity or £162 of purchased electricity
 1 tonne CO₂ = 5405 kWh of natural gas or £101 of purchased natural gas
 1 tonne CO₂ = 3984 kWh of heating oil or £177 of purchased heating oil
 1 tonne CO₂ = £12 stake in CRCEEC

13.2 Annual Utility Costs

Activity	Expenditure
Electricity	£ 5.64 million
Gas	£ 2.72 million
Oil	£ 0.52 Million
Business Mileage (car mileage only)	£ 1.44 million
<u>Operating the fleet (fuel only)</u>	<u>£ 0.48 million</u>
Total	£ 10.8 million

All figures are taken from the 2008/09 financial year

13.3 Carbon Budget, Financial Targets - Excluding Fleet and Business Mileage

Responsible Department	2008-09 Carbon Dioxide Cost (£)	2010-11 Carbon Dioxide Cost Target (£)	2010-11 Saving (£)
CORPORATE SERVICES	9,731	9,220	511
CYPD (Schools)	224,041	212,279	11,762
CYPD (Buildings)	21,768	20,626	1,143
FINANCE (General)	13,048	12,363	685
FINANCE (MPF)	PLEASE REFER TO SECTION 1.5		
LHR & AM	32,607	30,895	1,712
REGENERATION	118,577	112,351	6,225
TECH. SERVICES (General)	12,518	11,861	657
TECH. SERVICES (Street Ltg)	106,071	100,503	5,569
UNALLOCATED	6,668	6,318	350
SOLD (Part Year)	720	682	38
TOTAL	545,751	517,099	28,652

(based on the CRCEES price of £12 per tonne)

Using the average costs detailed in section 13.2 a further £70,000 could be saved if the carbon reduction targets are met.

- 13.4 Based on the above projection the Council would have to purchase £545,751 of carbon credits in April 2011. As previously reported any recycled payments as a result of our position in the subsequent league table would be $\pm 10\%$ in the first year rising by $\pm 10\%$ per year over the following four years. As an example, based on current information, that would equate to an increase or decrease in the initial outlay of £54,575 in year one rising to a possible increase or decrease in the initial outlay of £272,875 by year five.

14.0 RECOMMENDATIONS

14.1 Cabinet is requested to endorse the actions and progress set out in this report.

14.2 Further, Cabinet is requested to agree as follows:-

1. To the establishment of the Council's carbon footprint and quantification of the tonnes of CO₂ released as a direct result of Council operations for 2010 onwards, as set out in this report, and
2. That the Director of Finance develops an appropriate evaluation model for quantifying CO₂ emissions as part of the procurement process for new council contracts and other spend from April 2011.
3. That the Director of Technical Services reports regularly to Cabinet on progress made regarding the carbon budget. These reports to include measures and projects implemented to reduce carbon emissions, including an analysis to show progress being made by department and key service areas.

**DAVID GREEN, DIRECTOR
TECHNICAL SERVICES**

APPENDIX A

Carbon Budget Report by Department for 2008-09 and Emissions Targets 2010-11

Responsible Department	2008-09 Energy Consumption (kWh)	2008-09 Carbon Dioxide Emission (kg)	2008-09 Carbon Dioxide Cost (£)	2010-11 Energy Targets (kWh)	2010-11 Energy Savings (kWh)	2010-11 Carbon Dioxide Emission Target (kg)	2010-11 Emissions Saving (kg)	2010-11 Carbon Dioxide Cost Target (£)	2010-11 Financial Saving (£)
CORPORATE SERVICES	2,766,441	810,936	9,731	2,621,203	145,238	768,362	42,574	9,220	511
CYPD (Schools)	66,793,650	18,670,091	224,041	63,286,983	3,506,667	17,689,911	980,180	212,279	11,762
CYPD (Buildings)	6,279,643	1,814,036	21,768	5,949,962	329,681	1,718,799	95,237	20,626	1,143
FINANCE (General)	2,867,154	1,087,342	13,048	2,716,628	150,526	1,030,257	57,085	12,363	685
FINANCE (MPF)	<i>PLEASE REFER TO SECTION 1.16</i>								
LHR & AM	10,633,355	2,717,273	32,607	10,075,104	558,251	2,574,616	142,657	30,895	1,712
REGEN	37,744,497	9,881,378	118,577	35,762,911	1,981,586	9,362,606	518,772	112,351	6,225
TECH. SERVICES (General)	3,070,870	1,043,205	12,518	2,909,649	161,221	988,436	54,768	11,861	657
TECH. SERVICES (Street Ltg)	16,901,167	8,839,277	106,071	16,013,856	887,311	8,375,215	464,062	100,503	5,569
UNALLOCATED	2,011,013	555,690	6,668	1,905,435	105,578	526,517	29,174	6,318	350
SOLD (Part Year)	218,306	59,985	720	206,845	11,461	56,836	3,149	682	38
TOTAL	149,286,096	45,479,212	545,751	141,448,576	7,837,520	43,091,553	2,387,659	517,099	28,652

Prevailing CRCEES Carbon Cost

£12 per Tonne CO2

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