

WIRRAL COUNCIL

CABINET

9 DECEMBER 2010

REPORT OF THE DIRECTOR OF FINANCE

BALANCE SHEET MANAGEMENT - REVIEW OF BALANCES INCLUDING PROVISIONS AND RESERVES

1. EXECUTIVE SUMMARY

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

2. BALANCE SHEET MANAGEMENT

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

3. GENERAL FUND BALANCE

- 3.1. The General Fund balances are required to cushion the impact of unexpected events or emergencies, including unpredicted overspendings, on revenue budgets.

- 3.2. There is no statutory minimum level for the General Fund balances which are set at a level based upon my assessment of the strategic, operational and financial risks in managing the annual net revenue budget in the region of £330 million per year.
- 3.3. The Audit Commission has increasingly suggested to Local Authorities that the General Fund balances should be set at a minimum of 2% of the net revenue budget. For Wirral this equates to approximately £6.5 million. This requirement is reflected within the Medium Term Financial Strategy and the regular update reports to Cabinet on the Budget Projections.
- 3.4. I regard this as the minimum level required for four key reasons:
- (a) The additional sums that have been allocated, following the agreement of the Budget, in recent years to Adult and Children's care services.
 - (b) The pressures within Adult Social Services and Children & Young People in respect of care services and also in achieving income based targets which have been adversely affected by the economic situation.
 - (c) The increasing pressures to deliver enhanced services and further efficiencies from a reducing level of resources all add to the potential for spending not being kept within the resources allocated.
 - (d) The Spending Review 2010 and provisional Local Government Finance Settlement give a clear indication that Government support will be reduced in the future which will add to the pressures and demands upon the Authority resulting in increased risks to the stability of the budget
- 3.5. The importance of regular financial monitoring, particularly of the volatile areas within the departmental budgets, is integral to good financial management. The monthly Financial Monitoring Statement sent to all Members and the quarterly Performance and Financial Reviews to Cabinet continue to be strengthened.
- 3.6. Together with the General Fund balances, the Council also holds other balances in the form of reserves and provisions that are set aside to meet specific or potential liabilities.

4. PROVISIONS AND RESERVES

- 4.1. The Council Constitution and Financial Regulations require that any provisions and reserves which are established are then monitored and used in accordance with statutory financial guidelines.

- 4.2. For each provision and reserve there needs to be a reason for / purpose of the provision / reserve and details of how and when the provision / reserve can be used. These are managed and controlled and are subject to a twice yearly review to ensure relevance and adequacy.

4.3. Provisions

- 4.3.1. Provisions are amounts set aside for any material liabilities or losses that are likely or certain to be incurred but the exact amounts and dates are not currently known.
- 4.3.2. Appendix 1 provides details of all existing provisions including a narrative for the significant items together with details of their usage during the current financial year.
- 4.3.3. The review has identified the provisions that are to be used during 2010/11 or are required to be retained for the purposes intended.

4.4. Reserves

- 4.4.1. Reserves are set aside by the Council to meet future expenditure such as decisions causing anticipated expenditure to be delayed. As such they are only available to be spent on specific purposes.
- 4.4.2. Appendix 2 provides details of all existing reserves including an explanatory narrative together with details of the usage during the current financial year.
- 4.4.3. The review identified those reserves that are to be used during 2010/11 and of the remainder there are a number being re-assessed in view of existing departmental financial pressures.

5. FINANCIAL AND STAFFING IMPLICATIONS

- 5.1. The minimum level of General Fund Balances, reflecting the financial management arrangements in place, has been assessed at £6.5 million and this sum is included in the Medium Term Financial Strategy and Budget projections for 2011/15.
- 5.2. The review has identified that, having regard to the risks involved, £1,232,000 of provisions and reserves could be returned to General Fund balances.
- 5.3. There are no staffing implications arising directly from this report.

6. EQUAL OPPORTUNITY IMPLICATIONS

6.1. There are none arising from this report.

7. COMMUNITY SAFETY IMPLICATIONS

7.1. There are none arising from this report.

8. HUMAN RIGHTS IMPLICATIONS

8.1. There are none arising directly from this report.

9. LOCAL AGENDA 21 IMPLICATIONS

9.1. There are none arising directly from this report.

10. PLANNING IMPLICATIONS

10.1. There are none arising directly from this report.

11. MEMBER SUPPORT IMPLICATIONS

11.1. There are none arising directly from this report.

12. BACKGROUND PAPERS

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

13. RECOMMENDATION

13.1. That, having regard to the risks involved, £1,232,000 be returned to General Fund Balances.

IAN COLEMAN
DIRECTOR OF FINANCE

PROVISIONS

APPENDIX 1

Department / Description	Balance 01/04/2010 £'000	To use in year £'000	Additions £'000	Return to balances £'000	Estimate 31/03/2011 £'000	Reason for / purpose of the provision
Adult Social Services						
Supported Living	241	(241)	-	-	-	Refunds resulting from charging policy
	241	(241)	-	-	-	
Corporate Services						
Wirral Council Match Funding	122	-	-	-	122	General sum to support revenue funded schemes
Merseyside Information Service	125	(18)	-	-	107	For costs of winding up the organisation
Local Development Framework	137	(50)	-	-	87	Residual sum to complete LDF studies
Early Voluntary Retirements	75	(25)	-	-	50	For costs of EVR within Corporate Services
Hoylake/West Kirby Match Fund	45	-	-	-	45	For contribution to Hoylake/West Kirby schemes
ERNACT	20	-	-	-	20	For outstanding commitments re ERNACT
M'side Environ Advisory Service	15	-	-	-	15	For Merseyside Environmental Advisory Service
Employment Land Study	7	-	-	-	7	Remaining costs of Employment Land Study
Empty Property	188	(188)	-	-	-	Capital receipts to be recycled in 2010/11
LAA Network Support	134	(134)	-	-	-	Residual allocation committed for 2010/11
Kelvinside Rent	97	(97)	-	-	-	For repayment to Central Government
Migration Impacts Fund	77	(77)	-	-	-	50% of 2009/10 Grant to be spent in 2010/11
Area Forum Funding	70	(70)	-	-	-	Remaining 2009/10 allocations for use in 2010/11
You Decide	31	(31)	-	-	-	Committed for use in 2010/11
Renewable Energy Study	20	(20)	-	-	-	Residual 2009/10 allocation committed
Merseyside Habitats Regulations	11	(11)	-	-	-	Residual 2009/10 allocation committed
	1,174	(721)	-	-	453	
Finance						
Housing Benefit Grants	3,153	-	-	-	3,153	For settlement of outstanding claims
Transformational Change	20	-	-	(20)	-	For part funding of fixed term posts - not required
Call Centre Equipment	2	(2)	-	-	-	For final payment for IT equipment
	3,175	(2)	-	(20)	3,153	

PROVISIONS

APPENDIX 1

Department / Description	Balance 01/04/2010 £'000	To use in year £'000	Additions £'000	Return to balances £'000	Estimate 31/03/2011 £'000	Reason for / purpose of the provision
Law HR Asset Management						
Voluntary First Registration	11	(11)	-	-	-	To cover Land Registry costs
	11	(11)	-	-	-	
Technical Services						
Highways Write Off	103	(86)	-	-	17	Provision for bad debt re. DLO.
Transport Write Off	60	(60)	-	-	-	Provision for bad debt re. transport division
Gateway Review	1	(1)	-	-	-	To meet costs arising from PACSPE
	164	(147)	-	-	17	
TOTAL PROVISIONS	4,765	(1,122)	-	(20)	3,623	

RESERVES

APPENDIX 2

Department / Description	Balance 01/04/2010 £'000	To use in year £'000	Additions £'000	Return to balances £'000	Estimate 31/03/2011 £'000	Reason for / purpose of the reserve
Adult Social Services						
Donations & specified funding	98	-	18	-	116	Funds from external groups for set purposes
Assistive Technology	400	(400)	-	-	-	To support assistive technology programme
End of Life Care	210	(210)	-	-	-	Skills development for domiciliary staff in projects in NW
	708	(610)	18	-	116	
Children & Young Persons						
Schools balances	8,564	-	2	-	8,566	Balances ring fenced to schools
Connexions Partnership	4,690	-	-	-	4,690	To cover potential future pension liabilities
Schools Contributions to capital	449	-	64	-	513	Contributions towards capital schemes
Schools Automatic Meter Readers	415	-	-	-	415	To support carbon reduction in schools
Parent Teachers contributions	397	-	-	-	397	Contributions towards capital schemes
Schools Contingency	370	-	-	-	370	For unforeseen costs/changes in pupil numbers
PFI Capital	282	(70)	-	-	212	For works, beyond contract specification
School Improvement Reserve	150	-	28	-	178	To meet potential costs when strategy funding is transferred to schools
Children Centre Income	74	-	7	-	81	To meet possible Sure Start debts
External Funds	66	-	-	-	66	Grouped Reserves for Schools – Trips, etc
Anti-social behaviour	34	-	-	-	34	To fund anti-social behaviour team activity
Oaklands capital	32	-	-	-	32	Contribution towards capital costs at Oaklands
Wirral Girls Language College	24	-	-	-	24	C/fwd income from language college activities
Children's Workforce Development	18	-	-	-	18	To bring consistency to the way children and young people are listened to and looked after
Adoption & Fostering	7	-	-	-	7	For Adoption & Fostering Consortium
Dedicated Schools Grant	785	(785)	-	-	-	2009/10 Standards Fund for use by 31/08/10
Schools Harmonisation	600	(600)	-	-	-	To cover Phase 2 of the Local Pay Review
PFI Utilities	420	(420)	-	-	-	To cover spend on utilities under PFI contract
WASP/Youth Service/Cleaning	361	(361)	-	-	-	Funds b/fwd to be expended in 2010/11
Drug Action Team	297	(297)	-	-	-	PCT Funding to support DAT Programme

RESERVES

APPENDIX 2

Department / Description	Balance 01/04/2010 £'000	To use in year £'000	Additions £'000	Return to balances £'000	Estimate 31/03/2011 £'000	Reason for / purpose of the reserve
Summer Term Reserve	280	(280)	-	-	-	To cover cost of advisory teachers in event of schools not deciding to purchase services
Contact Point	200	(200)	-	-	-	To fund integrated working between agencies involved in the cases of Looked after Children.
Capital Financing Contributions	169	(169)	-	-	-	Contributions Clarendon and Stanley Schools
Music Service	130	(130)	-	-	-	For possible costs when strategy funding is transferred to schools
Nursery Education Grant	108	(108)	-	-	-	To fund nursery education
Baby P	105	(105)	-	-	-	To fund costs arising from Baby P review
Stop Gap	87	(87)	-	-	-	Young homeless independent living pilot
Multi Systemic Therapy	78	(78)	-	-	-	PCT contribution to MST programme
Transport	68	(68)	-	-	-	To equalise cost from number of Home to School Transport days per year
Aiming High	60	(60)	-	-	-	Support objectives of Aiming High (Willowtree)
Youth Offending Service	50	(50)	-	-	-	For use in the National Justice Board Keeping Young People Engaged Project
Children's Safeguarding	48	(48)	-	-	-	To fund service provision for Safeguarding
Connexions	37	(37)	-	-	-	To cover possible underpayment from 09/10
Integrated Children's System	30	(30)	-	-	-	Local customisation of ICS
Moving on	30	(30)	-	-	-	Designated support - long term placements
Treatment Fostering	23	(23)	-	-	-	To fund Treatment Fostering programme
Accommodation & Invest to Save	14	(14)	-	-	-	To fund improvements in economy & efficiency
	19,552	(4,050)	101	-	15,603	
Corporate Services						
Working Neighbourhoods Fund	11,779	-	-	-	11,779	To support NGA scheme and programme
Group Repair	880	-	112	-	992	To support HMRI renovation schemes
Home Improvement Agency	233	-	-	-	233	To maintain service with grant reductions
Local Development Framework	202	-	-	-	202	For funding the Planning Strategy work
Housing Initiatives	175	-	-	-	175	Support for HMRI & Empty Property initiatives
West Wirral Schemes	175	-	-	-	175	Allocated to West Wirral improvements
Homeless Prevention	120	-	-	-	120	To provide assistance to householders

RESERVES

APPENDIX 2

Department / Description	Balance 01/04/2010 £'000	To use in year £'000	Additions £'000	Return to balances £'000	Estimate 31/03/2011 £'000	Reason for / purpose of the reserve
EVR Costs	129	(25)	-	-	104	Departmental costs of staff released by EVR
Investment Strategy	133	(30)	-	-	103	Preparing/implementing Investment Strategy
Planning Compensation	95	-	-	-	95	Compensation in respect of planning decisions
Consultancy Support	30	-	-	(30)	-	For consultancy work to support SIT
Corporate Policy Support	100	(50)	-	-	50	For part funding of fixed term posts
Corporate PR Tourism Support	40	-	-	-	40	For meeting tourism/PR sponsorship
Business support marketing	30	-	-	-	30	Marketing strategy for Invest Wirral
PR Marketing	45	(20)	-	-	25	For Tourism Marketing support
Tenancy Deposits	25	-	-	-	25	Guarantee tenancy deposits – private landlords
Supporting People	1,632	(1,632)	-	-	-	To fund the Supporting People Programme
Local Area Agreement Grant	380	(380)	-	-	-	Funds held for partner projects
Seaside Town Strategy	200	(200)	-	-	-	For participatory budgeting
Community Cohesion	75	-	-	(75)	-	To return to balances
Energy Fund	41	(41)	-	-	-	To fund energy efficiency projects for dwellings
Business support	39	(39)	-	-	-	To support local businesses
International Links	20	-	-	(20)	-	To support international links
	16,578	(2,417)	112	(125)	14,148	
Finance						
Housing Benefits	10,859	(1,500)	-	-	9,359	Potential liabilities for repaying grant to DWP
Treasury Debt Management	8,076	-	-	-	8,076	For re-aligning debt portfolio / leases
Housing Benefits - Supporting People	4,436	-	-	-	4,436	Potential liabilities arising from the ongoing issue relating to HB Supporting People
Treasury MRP Adjustments	4,400	-	-	-	4,400	Costs from capital accounting changes (MRP)
Intranet Developments	1,633	(500)	-	-	1,133	Existing broadband and future IT developments
Housing Revenue Account	1,125	-	-	(1,000)	125	Liabilities arising from housing stock transfer
Matching Fund	395	-	-	-	395	For Council Contribution to Special Initiatives
One Stop Shops IT Networks	349	(100)	-	-	249	To develop IT within One Stop Shops
Schools Service IT	294	(50)	-	-	244	For year on year service changes / hardware
Printing Unit	185	-	-	-	185	For revenue shortfalls and equipment renewals
Finance Training	35	(35)	-	-	-	For equipment for Training rooms
Libraries	73	(42)	-	-	31	To fund events, books and equipment

RESERVES

APPENDIX 2

Department / Description	Balance 01/04/2010 £'000	To use in year £'000	Additions £'000	Return to balances £'000	Estimate 31/03/2011 £'000	Reason for / purpose of the reserve
ITS Corporate Network	110	(110)	-	-	-	IT corporate network hardware requirements
IT Replacement	29	(29)	-	-	-	IT replacement in training rooms
HB/CT Web based form	17	(17)	-	-	-	Web based claim form
ITS Training Reserve	10	(10)	-	-	-	IT staff training
Information Strategy	7	(7)	-	-	-	Hardware acquisition
	32,033	(2,400)	-	(1,000)	28,633	
Law HR Asset Management						
Local Pay Review	6,375	-	-	-	6,375	Harmonisation and equal pay legislation
Community safety	130	-	-	-	130	To fund community safety expenditure
Admin Building Repairs	91	-	-	-	91	For repairs to administrative buildings
Asset Review	866	(778)	-	-	88	For costs arising from Asset Review
Caretakers' Lodges Repairs	80	(16)	-	-	64	Repairs & maintenance of caretakers' lodges
HR Systems	45	-	-	-	45	For developing HR systems
Coroners	82	(40)	-	-	42	For additional costs including long inquests
Parks & open spaces	33	-	-	-	33	To support improved services & facilities
Chief Exec Community Fund	20	-	8	-	28	For contributions for community schemes
Managed Property Repairs	25	-	-	-	25	For repairs on managed properties
Taxi Demand Survey	25	(15)	-	-	10	Court cost increases and 10/11 taxi survey
Dog Wardens Bequests	10	-	-	-	10	Private bequests for improvements to services
Sustainability	115	(115)	-	-	-	To support Sustainability policy option
Disabled access	100	(100)	-	-	-	Balance of 2009/10 allocation - committed
Legal Case Management	100	(50)	-	(50)	-	For costs of a legal case management system
HR Training	41	(41)	-	-	-	Leadership development programme contract
HR Occupational Health	37	(37)	-	-	-	For implementing/developing service provision
Dog Fouling	12	(12)	-	-	-	Completion of 2008/09 policy option
Planned Preventative Maintenance	11	(11)	-	-	-	Committed to cultural services PPM
	8,198	(1,215)	8	(50)	6,941	

RESERVES

APPENDIX 2

Department / Description	Balance 01/04/2010 £'000	To use in year £'000	Additions £'000	Return to balances £'000	Estimate 31/03/2011 £'000	Reason for / purpose of the reserve
Technical Services						
PCT - Physical Activities	300	(100)	-	-	200	From Wirral PCT to fund activities over 3 years
Heritage Fund	420	(250)	-	-	170	For support / preservation of Wirral heritage
Section 106 (TCPA)	166	(5)	-	-	161	For compliance with statutory obligations
Parks & open spaces	151	(21)	-	-	130	To support improved services & facilities
Play Area Reserve	115	(6)	-	-	109	To support provision of play areas
Vehicle Purchase	180	(80)	-	-	100	To purchase vehicles for transport division
Streetscape / Open Golf	100	-	-	-	100	Fund towards next open golf event
Silver Sports	62	-	-	-	62	For sports centre activities for Elderly People
Highway Maintenance	-	55	-	-	55	For risk improvement works to housing paths
Replacement Wheelie Bins	136	(105)	-	-	31	To replace bins through life of waste contract
Art Fund	35	(4)	-	-	31	For purchase of exhibits
Sport & Recreation	175	(165)	-	-	10	For improvements to current facilities/services
Leisure Review	3	(3)	-	-	-	To fund residual costs of Leisure Review
Energy Investment	310	(310)	-	-	-	To improve the efficiency of street lighting
Sport & Recreation pay review	300	(300)	-	-	-	For the cost of pay review
Structural Maintenance	250	(250)	-	-	-	For repairs following severe winter 2009
Street Lighting Upgrade	137	(100)	-	(37)	-	To fund street lighting upgrades
Asset Management	100	(100)	-	-	-	Building Control Asset Management Software
IT Upgrade	60	(60)	-	-	-	To fund IT Initiatives
	3,000	(1,804)	-	(37)	1,159	
TOTAL RESERVES	80,069	(12,601)	344	(1,212)	66,600	