

WIRRAL COUNCIL

CABINET - 10 DECEMBER 2008

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 general 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 Scrutiny Committees on financial monitoring in terms of the capital programme and the revenue budgets. This report provides a review of those resources held on the Council Balance Sheet in the form of balances including 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 55) 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 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 balance should be set at a minimum of 2% of the net revenue budget. Resources set-aside for specific purposes as provisions and reserves should be established and used in accordance with the purposes intended. From 2007/08 the minimum level of new amounts set-aside was set at £20,000 unless these relate to amounts held in trust. All provisions and reserves are reviewed at least twice a year.

3. GENERAL BALANCES

- 3.1. General 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 general balances which are set at a level based upon my assessment of the strategic, operational and financial risks in managing a net budget for Wirral which is in the region of £300 million.

- 3.3. The Audit Commission has increasingly been suggesting to Local Authorities that General Fund balances should be at least 2% of the net revenue budget. For

Wirral this equates to approximately £6 million and both the Medium Term Financial Strategy and my projected budget reports to Cabinet have identified this as the requirement from 2009/10.

3.4. I regard this as the minimum level required for four key reasons:

- (a) The additional sums that have been allocated in recent years towards Adult and Children's Care Services, Cultural Services and Waste Services.
- (b) The pressures that continue within the Adult Social Services and Children & Young People Departments in respect of providing care services.
- (c) The impact of the present financial climate which has a consequential impact upon the income generation targets within Cultural Services and Technical Services, and on the demand for services in Finance.
- (d) The increasing pressures to deliver both enhanced services and further efficiencies add to the potential for spending not being kept within the resources allocated.

3.5. The importance of regular financial monitoring, particularly of the volatile areas within the departmental budgets, is integral to good financial management. This is an area that continues 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 are established, 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. As such they are a compulsory requirement when the liability or loss is identified.

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 2008/09, are required to be retained for the purposes intended, or can be returned to the general balance.

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 required to be spent on specific purposes.

4.4.2. Appendix 2 provides details of all the 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 2008/09, those required to be retained for the purposes intended, or those that can be returned to the general balance.

4.5. Housing Benefit and Local Pay

4.5.1. The Housing Benefit provision and reserve, because of their nature and complexity, are to be the subject of a separate report to Cabinet. Also the Director of Law, Human Resources and Asset Management is to update Cabinet on the position regarding the implementation of the local pay review including the related sum set aside.

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 million and this figure is included within the Medium Term Financial Strategy and budget projections for 2009/10.

5.2. The review has identified that £97,000 of provisions and £263,000 of reserves can be returned to the general balance. Cabinet is recommended that those in respect of Regeneration totalling £230,000 should be considered against the previously reported projected overspend for the Department of £0.8m in the current financial year.

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 55) – Reserves and Balances.

12.2. Local Government Act 2003 Section 25.

13. RECOMMENDATIONS

That

- (1) the Regeneration provisions and reserves totalling £230,000 identified as no longer being required be used to partially offset the projected overspending in 2008-09; and
- (2) the other reserves totalling £130,000 identified as no longer being required be returned to General Fund Balances.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/282/08

PROVISIONS

APPENDIX 1

Department / Description	Balance 01/04/2008 £'000	To use in year £'000	Return to balances £'000	Estimate 31/03/2009 £'000	Reason for / purpose of the provision
Corporate Services					
Merseyside Information Service	178	-	-	178	For costs from the winding-up of the organisation
Wirral Council Match Funding	122	-	-	122	General amount to support revenue funded schemes
Local Development Framework	160	-80	-	80	For studies re preparation of Wirral's DPD
Hoylake West Kirby Match Fund	45	-	-	45	For contribution to Hoylake / West Kirby schemes
Corporate Policy Support	80	-40	-	40	For part funding of fixed term posts over 2 years
Consultancy Support Wirral	30	-	-	30	For consultancy work to support SIT
ERNACT	20	-	-	20	For outstanding commitments re ERNACT
M'side Environ Advisory Service	15	-	-	15	For Merseyside Environmental Advisory Service
Capital of Culture/Tall Ships	62	-62	-	-	Wirral's associated costs re these events
EVR costs	45	-45	-	-	For costs of EVR within Corporate Services
Area Forum Funding	35	-35	-	-	Remaining 2007/08 allocations used in 2008/09
Employment Land Study	22	-22	-	-	Remainder of costs of Employment Land Study
Computer Replacement	12	-12	-	-	Remainder of replacement programme
Waste Development Plan	7	-7	-	-	Remainder of scheme costs
	<u>833</u>	<u>-303</u>	<u>-</u>	<u>530</u>	
Finance					
Housing Benefit	5,600	-	-	5,600	To be the subject of a separate report
Collection Fund	1,200	-1,200	-	-	Wirral's share of Collection Fund deficit
Transformational Change	45	-22	-	23	For part funding of fixed term posts over 2 years
Call Centre Equipment	40	-40	-	-	For new IT equipment purchased in April 2008
Printing Income	-30	30	-	-	For unreceipted income now resolved
	<u>6,855</u>	<u>-1,232</u>	<u>-</u>	<u>5,623</u>	
Law HR Asset Management					
EAT/RAT Developments	45	-	-	45	For developing an EAT/RAT recruitment portal
Local Pay Review	2,592	-2,592	-	-	For payment of arrears from 2007/08
Equal Pay Back Pay	437	-437	-	-	For payments re equal pay back pay
Local Pay Review HR	78	-78	-	-	Balance for administration used in 2008/09
HR Training	71	-71	-	-	Leadership development programme contract
Employee Assistance Prog	16	-16	-	-	Balance for pilot programme
Creative Recruit Campaign	12	-12	-	-	Remainder of recruitment costs
	<u>3,251</u>	<u>-3,206</u>	<u>-</u>	<u>45</u>	

PROVISIONS

APPENDIX 1

Department / Description	Balance 01/04/2008 £'000	To use in year £'000	Return to balances £'000	Estimate 31/03/2009 £'000	Reason for / purpose of the provision
Regeneration					
Group repair	110	-	-	110	For assisting the ongoing group repair schemes
Empty property	102	-	-	102	For assisting with the ongoing pilot project
LEGI Fund	97	-	-97	-	Return to balances to offset projected overspend
	<u>309</u>	<u>-</u>	<u>-97</u>	<u>212</u>	
Technical Services					
Replacement Wheelie Bins	200	-	-	200	For bins throughout life of waste contract
Highway Maintenance	437	-437	-	-	For risk improvement works to housing paths
Highways works	316	-316	-	-	To be used in winding up Operational Services
HESPE	175	-175	-	-	For HESPE consultants
Repair & Renewal Fund	100	-100	-	-	Committed for administrative buildings repairs
Asset management	100	-100	-	-	In process of being purchased
Development control system	85	-85	-	-	In process of being purchased
	<u>1,413</u>	<u>-1,213</u>	<u>-</u>	<u>200</u>	
TOTAL PROVISIONS	<u>12,661</u>	<u>5,954</u>	<u>-97</u>	<u>6,610</u>	

RESERVES

APPENDIX 2

Department / Description	Balance 01/04/2008 £'000	To use in year £'000	Return to balances £'000	Estimate 31/03/2009 £'000	Reason for / purpose of the reserve
Children & Young Persons					
PFI Appreciation	1,448	-	-	1,448	Wirral's reversionary interest in PF1 Schools.
PFI Revenue	2,712	-1,300	-	1,412	Grant to offset increases in unitary payments to 2010.
Contingency Schools	478	-108	-	370	For unforeseen costs and for changes in pupil numbers.
PFI Wiring	164	-67	-	97	Final commitments under Schools PFI scheme
CIC held in trust for minors	9	-	-	9	Criminal Injuries Compensation held in trust for minors
Schools contributions towards Capital Schemes	710	-710	-	-	Schools' contributions to be used in 2008/09
Kitchen equal pay arrears	363	-363	-	-	The estimated 2007/08 back pay for kitchen staff & harmonisation costs to be paid in 2008/09
Dedicated Schools Grant	272	-272	-	-	Net additional DSG. Regulations require this to be c/f to the end of the current funding period (2010/11) unless otherwise agreed by Schools Forum.
Nursery	200	-200	-	-	Reserve to equalise cost of funding Private Voluntary and Independent Providers of Early Years education
Contact Point	200	-200	-	-	Reserve to fund 2008/09 Contact Point Programme
Transport	135	-135	-	-	Reserve to equalise cost arising from the number of Home to School Transport days (to be used in 2008/09)
Drug Action Team	131	-131	-	-	PCT funding to support Drug Action Team Programme
Safeguarding	77	-77	-	-	Balance of grant held on behalf of Safeguarding Panel.
Youth Offending	49	-49	-	-	Reserve to meet relocation costs for Youth Offending Service from Cavendish to Solar in 2008-09
Insurance	44	-44	-	-	Reserve for uninsured costs of children's homes claims.
Catering reserve	41	-41	-	-	For week 53 wages now allocated
School Sports Coordinator	19	-19	-	-	Sports Council grant establishing a sports coordinator.
Children's Centre Reserve	8	-	-8	-	Reserve no longer needed
Sure Start	4	-	-4	-	Reserve no longer needed
	<u>7,064</u>	<u>-3,716</u>	<u>-12</u>	<u>3,336</u>	
Corporate Services					
Investment Strategy	200	-50	-	150	For preparing / implementing the Investment Strategy
Local Development Framework	132	-	-	132	For funding the Planning Strategy work
Marketing Wirral Tourism	201	-100	-	101	For contributing towards ERDF Tourism project
Planning Compensation	95	-	-	95	For compensation in respect of planning decisions

RESERVES

APPENDIX 2

Department / Description	Balance 01/04/2008 £'000	To use in year £'000	Return to balances £'000	Estimate 31/03/2009 £'000	Reason for / purpose of the reserve
EVR Costs	150	-100	-	50	For departmental costs of staff released by EVR
Corporate PR Tourism Support	40	-	-	40	For meeting tourism/PR sponsorship
PR Marketing	71	-40	-	31	For events including Culture For All & Wirral Campaign
Arts, Culture, Tourism Match	87	-	-87	-	Return to balances as final ERDF claim audited
	<u>976</u>	<u>-290</u>	<u>-87</u>	<u>599</u>	
Finance					
Housing Benefit	10,832	-	-	10,832	To be the subject of a separate report
Debt Restructuring	6,103	-	-	6,103	For meeting the implications of any re-alignments to the investment portfolio
Financing (MRP adjustments)	2,000	-	-	2,000	For funding any increased costs from capital accounting changes surrounding MRP
IT Strategy	1,712	-	-	1,712	For developing / implementing the IT Programme
Matching Fund	339	-	-	339	For Council contribution for Special Initiatives
Financing (lease)	135	-	-	135	For any unexpected leasing costs
One Stop Shops	333	-200	-	133	For One Stop Shops development costs
Printing Unit	130	-	-	130	For replacement/upgrading of print unit machinery
Finance Training	38	-8	-	30	For equipment for Training Rooms
Admin Building repair fund	38	-38	-	-	Balance committed for Treasury Building works
Magistrates' Court	20	-	-20	-	Return to balances as grant resolved
Purchasing consortium	11	-	-11	-	Return to balances as consortium resolved
	<u>21,691</u>	<u>-246</u>	<u>-31</u>	<u>21,414</u>	
Law HR Asset Management					
Local Pay Review	3,335	-	-	3,335	To be the subject of a separate report
Coroners	100	-	-	100	For additional costs including long inquests
HR Initiatives	98	-	-	98	For developing HR systems
Admin Bldg Repair Reserve	74	-	-	74	For repairs on Wallasey complex buildings
HR Occupational Health	31	-	-	31	For implementing/developing the service provision
Managed Prop Repair Reserve	25	-	-	25	For repairs on managed properties
Chief Exec Community Fund	11	-	-	11	For contributions for community schemes
Committee Services System	50	-50	-	-	For acquiring new Committee Services system
RBDM Renovations	17	-17	-	-	For renovation/improvements to Birkenhead Registrars
	<u>3,741</u>	<u>-67</u>	<u>-</u>	<u>3,674</u>	

RESERVES

APPENDIX 2

Department / Description	Balance 01/04/2008 £'000	To use in year £'000	Return to balances £'000	Estimate 31/03/2009 £'000	Reason for / purpose of the reserve
Regeneration					
Housing Revenue Account	1,192	-	-	1,192	For ongoing liabilities arising from housing stock transfer
Supporting People	2,392	-1,476	-	916	For pilot projects in 2008/09 & subsequent years
Housing	775	-100	-	675	For supporting Strategic Housing Initiatives
Sport & recreation pay review	498	-	-	498	For the cost of pay review
Heritage Fund	206	-	-	206	For support / preservation of Wirral heritage
Parks & open spaces	201	-17	-	184	For supporting completion of existing schemes through New Opportunities Fund and improvement of facilities
Play Area Reserve	176	-	-	176	To support the provision of play areas
Section 106 (TCPA 1990)	155	-	-	155	For compliance with statutory obligations
Silver Sports Fund	61	-	-	61	Committed to support provision to over 60's
Tenancy Deposits	44	-	-	44	Support to homeless people to obtain private tenancies
Energy Fund	41	-	-	41	To support small energy initiatives to tackle fuel poverty
Culture & heritage	170	-140	-	30	To support schemes including Floral Pavilion
Community Safety	112	-96	-	16	£96k committed to community safety team in 2008/09; balance to support anti-social behaviour team
Dog Wardens Bequests	12	-	-	12	For private bequests for improvements to facilities
Libraries and halls	91	-87	-	4	Refurbishment works for Bebington and book festival both committed. Balance is contribution to Arrowe Hall
Landican Improvements	4	-	-4	-	Return to balances to offset projected overspend
Sport & recreation	170	-170	-	-	To support improvements to current facilities
Licensing	83	-	-83	-	Return to balances to offset projected overspend
Environment	40	-	-40	-	Return to balances to offset projected overspend
Leisure Review	33	-33	-	-	Will be used to fund 2008/09 cost of Leisure Review
Kids Excel Youth Nights	6	-	-6	-	Return to balances to offset projected overspend
	6,462	-2,119	-133	4,210	
Social Services					
Donations and specified funding	111	-3	-	108	Funds from external groups for set purposes eg to provide extras for residents at specific locations.
	111	-3	-	108	
TOTAL RESERVES	40,045	-6,441	-263	33,341	