

WIRRAL COUNCIL

CABINET

21 FEBRUARY 2012

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

1.0 EXECUTIVE SUMMARY

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

2.0 RECOMMENDATIONS

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

3.0 REASONS FOR RECOMMENDATIONS

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

4.0 BACKGROUND AND KEY ISSUES

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

GENERAL FUND BALANCE

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

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

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

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

PROVISIONS AND RESERVES

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

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

PROVISIONS

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

RESERVES

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

5.0 RELEVANT RISKS

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

6.0 OTHER OPTIONS CONSIDERED

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

7.0 CONSULTATION

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

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are none arising directly from this report.

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

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

10.0 LEGAL IMPLICATIONS

- 10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

- 11.1 There are none arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

- 12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 13.1 There are none arising directly from this report.

FNCE/17/12

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APPENDICES

Appendix 1 – Provisions

Appendix 2 - Reserves

REFERENCE MATERIAL

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

SUBJECT HISTORY

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

PROVISIONS

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

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

RESERVES

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

PAYP Web Post Funding	7	(7)	-	-	-	PAYP Web Post Funding
Schools Harmonisation	3,882	(3,882)	-	-	-	Anticipated costs for implementing pay harmonisation.
School Harmonisation Loan	2,000	(2,000)	-	-	-	To cover Phase 2 of the Local Pay Review
Planned Maintenance	100	-	-	(100)	-	Returned to balances to support CYP budget
Childrens W/force Dev Council	20	-	-	-	20	Payments for services Ex Officio to external organisations.
Youth Offending Services	50	-	-	(50)	-	Returned to balances to support CYP budget
Transport Reserve	53	-	-	(53)	-	Returned to balances to support CYP budget
Music Service Income	130	-	-	(130)	-	Returned to balances to support CYP budget
ASB Reserve	34	-	-	-	34	To fund anti-social behaviour team activity
Vehicle Purchase	160	(160)	-	-	-	To support the cost of replacing the vehicle fleet
Capital Reserve Aiming High	(5)	-	5	-	-	Support objectives of Aiming High (Willowtree)
	21,403	(9,340)	5	(333)	11,735	

Finance

Debt Restructuring	7,941	-	-	-	7,941	For re-aligning debt portfolio / leases
Housing Benefit	7,718	-	-	-	7,718	Potential liabilities to DWP. Report to Cabinet 2 Feb 2012
Housing Benefits - Supp People	4,436	-	-	-	4,436	Potential liabilities. Report to Cabinet 2 February 2012
MRP Adjustments Reserve	4,400	-	-	-	4,400	Costs from capital accounting changes (MRP)
Intranet Development	1,633	-	-	-	1,633	Existing broadband and future IT developments
One Stop Shop IT Networks	1,784	(150)	-	-	1,634	To develop IT integrating One Stop Shops / libraries
ITS Replacement Programme	750	-	-	-	750	For replacement IT across the Council
Matching Fund	477	-	-	-	477	For Council Contribution to Special Initiatives
Schools Service IT Reserve	294	-	-	-	294	For year on year service changes / hardware
Printing Unit	185	-	-	-	185	For revenue shortfalls and equipment renewals
Leasing	135	-	-	-	135	To assist in lease terminations and costs.
ITS Corp Network	147	(75)	-	-	72	IT corporate network hardware requirements
Housing Revenue Account	103	-	-	(63)	40	Liabilities arising from stock transfer which have reduced
Book Festival / Library Initiatives	32	-	-	-	32	To fund Wirral Book Festival and other initiatives
Training Reserve	115	(89)	-	-	26	For equipment / IT for Training rooms
HB/CT Web Based Form	17	-	-	(17)	-	Web based claim form
Schools Broadband	77	(77)	-	-	-	For projects of the IT Services Schools group
	30,244	(391)	-	(80)	29,773	

Law, HR & Asset Management

Community Asset Transfer	3,721	-	-	-	3,721	Community Asset Transfer programme.
Local Pay Review	2,758	-	-	-	2,758	Harmonisation and equal pay legislation
Strategic Asset Review	808	-	-	-	808	For costs arising from Asset Review

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

Regeneration, Hsg & Planning

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

Home Improvement Agency	566	(566)	-	-	-	To maintain service with grant reductions
Housing Initiatives	513	(195)	-	(318)	-	Support various initiatives
Homeless Prevention	276	(276)	-	-	-	To provide assistance to householders
Tenancy Deposits	43	-	-	-	43	Guarantee tenancy deposits- private landlords
Supporting People	1,551	-	-	(350)	1,201	To fund the Supporting People Programme
Cosy Homes Initiative	531	(531)	-	-	-	To support cosy homes initiative
Planning Compensation	95	-	-	-	95	Compensation in respect of planning decisions
WNF Balance	10,302	(7,000)	-	(3,302)	-	For NGA scheme and programme with balance released
Local Develop F/Work PDG	157	(157)	-	-	-	Republishing costs of Core Strategy
	17,258	(10,719)	-	(4,368)	2,171	
Technical Services						
PCT - Physical Activities Grant	300	-	-	-	300	From Wirral PCT to fund activities over 3 years
Heritage Fund	420	(135)	-	-	285	For support / preservation of Wirral heritage
Open Golf Infrastructure	185	-	-	-	185	Fund towards next Open and Womens events
Sports Centre Contingency	300	-	-	(200)	100	For pay review/released on assumption JE costs fully funded
Section 106 Agreements	243	-	-	-	243	Monies relating to Section 106 agreements
Asset Management Database	100	-	-	-	100	Asset Management Software - match funding
New Opportunities Fund	91	-	-	-	91	Development of play areas and open space
Insurance Cont - Highway Safety	55	(55)	-	-	-	To reduce liability claims used in 2011/12 year
Play Area Reserve	48	-	-	-	48	To support provision of play areas
Rangers Activities	34	-	-	-	34	To fund a post of ranger
Wheelie Bin Replacement	32	-	-	-	32	To replace bins through life of waste contract
Art Fund	30	-	-	-	30	For purchase of exhibits at the Gallery
Golf Development	10	-	-	-	10	To part fund a post
PPM Reserve	11	(11)	-	-	-	Repairs used in year
The Oval Repairs Grant	50	(50)	-	-	-	Repairs to the Oval completed in 2011/12
Silver Sports Activity Grant	62	(62)	-	-	-	For sports centre activities for Elderly People
Leisure Review	3	(3)	-	-	-	To fund residual costs of Leisure Review
Energy Investment	310	(210)	-	(100)	-	To improve the efficiency of street lighting
IT Upgrade	60	(60)	-	-	-	To fund IT Initiatives - replacement of mobile hardware
Disabled Tennis	2	(2)	-	-	-	Disabled tennis in 2011/12
Free Swimming Pot 3	114	(114)	-	-	-	Funding of swimming initiatives in year
	2,460	(702)	-	(300)	1,458	
TOTAL RESERVES	80,681	(21,382)	20	(5,081)	54,239	