

WIRRAL COUNCIL

CABINET

18 FEBRUARY 2013

SUBJECT	LEVEL OF GENERAL FUND BALANCES FOR 2013-14
WARD/S AFFECTED	ALL
REPORT OF	INTERIM DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

1 EXECUTIVE SUMMARY

- 1.1 This report is to review the recommended level of general fund balances for 2013-14, that was agreed by Cabinet on November 29th on a risk basis, in the light of budgetary developments since then.

2 BACKGROUND

- 2.1 Sound financial management principles require that sufficient funds are retained by the Council to provide a stable financial base at all times. To retain this stable financial base, the Council needs to maintain a general fund balance that is sufficient to provide a financial reserve for unanticipated expenditure and/or expenditure that is of an unforeseen, emergency nature.
- 2.2 The report to Cabinet on the 2013-14 budget on November 28th, 2012, set the minimum general fund balance in relation to the risks faced by, and financial circumstances of Wirral, so that the Council could work towards funding an increased level of Reserves.
- 2.3 Since then, the budget process for the 2013-14 budget has been very stringent, with particular emphasis on identifying slippage and double-counting, whilst also improving the mechanisms to ensure the successful delivery of savings to plan. Some risks have moved from uncertainty to certainty over the past months, with a consequent reduction in risk. Also, the major under-budgeting risk has been mitigated by the provision of ongoing funding (£8m), one-off funding (£13,7m) and proposed suppression (£3.4m).

3 FINANCIAL RESILIENCE: REDUCTIONS TO RISK AND MITIGATION

- 4.1 In determining the appropriate level of general fund balances the Council should take account of the strategic, operational and financial risks facing the Council. In planning the financial future and the level of reserves the Council needs to take into account the main risks and uncertainties.
- 4.2 The risks identified were grouped as set out below. The following Table lists the change in risk and the financial effect.

Table: Revised risk calculation of Reserves

Risk Item	Change	Original amount £m	Change £m	Revised amount £m
Legislative changes	• Items now known, and reduced risk:	□		
	Formula grant	1.360	-1.360	0.000
	Council Tax Grant Reduction	0.156	-0.156	0.000
	Public Health Transfer	0.220	-0.220	0.000
	Health & Social Care Bill	0.750	-0.750	0.000
	• Items rephased to later years			
Waste levy - 50% recycling by 2020	0.450	-0.010	0.440	
• Other items	1.344	0.000	1.344	
Inflation and Interest Rates	No change	3.627	0.000	3.627
Grants	No change	1.057	0.000	1.057
Employee Related Risks	No change	0.105	0.000	0.105
Volume and Demand Changes	• Budget correction results in reduced risk:	□		
	Customer client receipts	0.942	-0.707	0.235
	Demand led budgets, social care	0.445	-0.222	0.223
	• Other Items	0.593	0.000	0.593
Budget Savings	• Revised tracking reduces risk	9.747	-4.679	5.068
Insurance and Claims	No change	0.264	0.000	0.264
Energy Security	No change	0.049	0.000	0.049
Total		21.109	-8.104	13.005

Details of the calculation are set out in Appendix 1.

6 OTHER OPTIONS CONSIDERED

6.1 No other options are available.

7 CONSULTATION

7.1 No consultation has been carried out in relation to this report.

8 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 As yet there are no implications for voluntary, community or faith groups.

9 RESOURCE IMPLICATIONS: FINANCIAL, IT, STAFFING AND ASSETS

9.1 The locally determined approach to General Fund Balances would result in an increase in balances.

8 LEGAL IMPLICATIONS

8.1 There are none arising directly from this report.

9 EQUALITIES IMPLICATIONS

9.1 This is essentially a monitoring report which reports on financial performance.

10 CARBON REDUCTION IMPLICATIONS

10.1 There are no implications arising directly from this report.

11 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no implications arising directly from this report.

12 RECOMMENDATIONS

12.1 Cabinet is asked to agree:

a) The level of general fund balances recommended is based a locally determined approach to the assessment of the financial risks that the Council may face in the future.

b) The Council maintains it level of balances at or above the locally determined level of general fund balances.

13 REASONS FOR THE RECOMMENDATIONS

13.1 The Council needs to have good financial resilience at a time of increasing financial pressures and in difficult economic times. The holding of sufficient funds is part of the move to improve resilience. The locally and risk based approach to the level of general fund balance is in line with the achievement of this approach.

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APPENDICES

1 Risk Based Assessment of General Fund Balances

SUBJECT HISTORY

Council Meeting	Date
Cabinet	November 29 th 2012

Risk Based Assessment of General Fund Balances

Area of Risk	2012/13			2013/14			2014/15			Budget £000's
	Budget £000's	Risk Level	Value £000's	Budget £000's	Risk Level	Value £000's	Budget £000's	Risk Level	Value £000's	
Legislative Changes										
Total Formula Grant / Localised Business Rates	148,023	0.00%	0.0	136,053	0.00%	0.0	125,169	1.00%	1,251.7	115,155
Council Tax Benefit	31,249	0.00%	0.0	28,124	5.00%	1,406.2	28,124	5.00%	1,406.2	28,124
Council Tax Grant Reduction	0	0.00%	0.0	3,125	0.00%	0.0	3,125	5.00%	156.3	3,125
Technical Changes to Council Tax	0	0.00%	0.0		Calculation	-400.0		Calculation	-400.0	
Public Health Transfer	22,000	0.00%	0.0	22,000	0.00%	0.0	16,000	0.00%	0.0	16,000
Health & Social Care Bill	15,000	0.00%	0.0	15,000	0.00%	0.0	15,000	0.00%	0.0	15,000
Waste Levy - 50% recycling by 2020	14,687	0.00%	0.0	14,687	3.00%	440.6	14,687	6.00%	881.2	14,687
Discretionary Social Fund	0	0.00%	0.0	6,751	5.00%	337.6	6,751	5.00%	337.6	6,751
	230,959		0.0	225,740		1,784.4	208,856		3,632.9	198,842
Inflation										
Employees	140,936	0.10%	140.9	142,936	0.10%	142.9	142,436	0.10%	142.4	140,936
Premises	22,180	0.75%	166.4	22,180	0.75%	166.4	22,180	0.75%	166.4	22,180
Transport	8,556	1.00%	85.6	8,556	1.00%	85.6	8,556	1.00%	85.6	8,556
Supplies	113,960	1.00%	1,139.6	113,960	1.00%	1,139.6	113,960	1.00%	1,139.6	113,960
Services	72,438	0.50%	362.2	92,438	0.50%	462.2	86,938	0.50%	434.7	72,438
Agency & Transfer	163,072	1.00%	1,630.7	163,072	1.00%	1,630.7	163,072	1.00%	1,630.7	163,072
	521,142		3,525.4	543,142		3,627.4	537,142		3,599.4	521,142
Interest Rates										
Borrowing	12,644	0.00%	0.0	12,644	0.00%	0.0	12,644	0.00%	0.0	12,644
Investment	875	0.00%	0.0	875	0.00%	0.0	875	0.00%	0.0	875
	13,519		0.0	13,519		0.0	13,519		0.0	13,519
Grants										
Housing Benefits incl Admin Grant	169,522	0.75%	1,271.4	138,273	0.50%	691.4	138,273	0.50%	691.4	138,273
Other General Fund Grants	53,313	0.50%	266.6	73,113	0.50%	365.6	57,113	0.50%	285.6	54,913
	222,835		1,538.0	211,386		1,056.9	195,386		976.9	193,186
Employee Related Risks										
Single Status	6,000	3.00%	180.0	3,500	3.00%	105.0	3,750	3.00%	112.5	3,000
	6,000		180.0	3,500		105.0	3,750		112.5	3,000
Volume / Demand Changes										
Capital Receipts	3,000	2.00%	60.0	3,000	2.00%	60.0	3,000	2.00%	60.0	3,000
Customer and Client Receipts	45,751	1.00%	457.5	47,124	0.50%	235.6	48,537	0.50%	242.7	49,993
Demand Led Budgets (Social Care)	89,140	2.00%	1,782.8	89,140	0.25%	222.9	89,140	0.25%	222.9	89,140
Collection Fund	132,911	0.25%	332.3	132,911	0.25%	332.3	132,911	0.25%	332.3	132,911
Winter Pressures	400	50.00%	200.0	400	50.00%	200.0	400	50.00%	200.0	400
	271,202		2,832.6	272,175		1,050.7	273,588		1,057.8	275,044
Budget Savings										
Budget Reductions	16,500	25.00%	4,125.0	38,988	13.00%	5,068.4	40,184	20.00%	8,036.8	24,314
Insurance/Public Liability Third Party Claims										
MMI Liabilities	498	2.00%	10.0	498	2.00%	10.0	498	2.00%	10.0	498
Legal Liabilities	9,723	2.00%	194.5	9,723	2.00%	194.5	9,723	2.00%	194.5	9,723
Self Insured Liabilities	2,977	2.00%	59.5	2,977	2.00%	59.5	2,977	2.00%	59.5	2,977
	13,198		264.0	13,198		264.0	13,198		264.0	13,198
Energy Security and Resilience										
Carbon Tax Legislation	204	10.00%	20.4	245	20.00%	49.0	294	20.00%	58.8	250
TOTAL			12,485.3			13,005.8			17,739.0	