

## SAVINGS APPROVED AS PART OF THE 2013/14 BUDGET

<b>FAMILIES AND WELLBEING</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Schools Budget	200	2,300
Careers, Education and Advice	300	0
Community Meals	31	0
Targeted Support through NHS Contracts	1,389	994
Extra Care Housing	300	0
Residential and Respite Care	160	0
Day Care and Day Services Transformation	750	500
Assistive Technology	150	0
Transport Policies	556	526
Foundation Learning	12	0
Commissioning of Parenting Services	200	0
Review of VCF Sector Grants	115	0
Review of Emergency Duty	100	0
Youth and Play Services	300	0
Youth Challenge	200	0
Children's Centres and Sure Start	596	0
Short Breaks for Children with Disabilities	150	0
<b>Families And Wellbeing Total</b>	<b>5,509</b>	<b>4,320</b>

<b>REGENERATION AND ENVIRONMENT</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Garden Waste Collection	176	393
Street Cleansing	-250	0
Biffa Contract Break	600	0
Supporting People	2,000	0
Regeneration General Running Costs	0	40
<b>Regeneration And Environment Total</b>	<b>2,526</b>	<b>433</b>

<b>TRANSFORMATION AND RESOURCES</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Service Restructures	642	0
Reducing the Cost of Democracy	75	100
Procurement	*	*
Information Technology Service	90	0
Better Use of Buildings	0	458
Transforming Business Support	1,000	1,000
Libraries and One Stop Shops	466	117
Shared Services Development	400	1,000
Council Tax: Discretionary Relief	320	0
<b>Transformation And Resources Total</b>	<b>2,993</b>	<b>2,675</b>

<b>CORPORATE</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Efficiency Fund	2,000	2,000
<b>Corporate Total</b>	<b>2,000</b>	<b>2,000</b>

<b>SUMMARY</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Families and Wellbeing	5,509	4,320
Regeneration and Environment	2,526	433
Transformation and Resources	2,993	2,675
<b>Total By Directorate</b>	<b>11,028</b>	<b>7,428</b>
Corporate	2,000	2,000
<b>Total</b>	<b>13,028</b>	<b>9,428</b>

^ Procurement savings of £4 million for 2014/15 and £5 million for 2015/16 deleted as replaced by revised savings for Corporate Commissioning.

APPENDIX 1B

SAVINGS APPROVED DECEMBER 2013

<b>FAMILIES AND WELLBEING</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Transport Depot	100	0	0
Paying for Adult Social Care	1,117	0	0
Shared Services and Integration	608	10	1,200
Accommodation for 16/17 year olds	600	0	0
Working Together with Schools	915	300	0
Careers Advice and Guidance	200	0	0
Service Design and Improvement	4,148	1,975	0
Commissioning and Contracting	1,905	165	0
Early Intervention to Support Families	300	1,950	0
Substance Misuse and Teenage Pregnancies	160	0	0
Family, Parenting and Youth Commissioning	200	300	0
Children's Centres	500	1,500	0
<b>Families and Wellbeing Total</b>	<b>10,753</b>	<b>6,200</b>	<b>1,200</b>

<b>REGENERATION AND ENVIRONMENT</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Environmental Health Modernisation	215	0	0
Floral Pavilion Review	100	300	0
Birkenhead Kennels	40	0	0
Tramway Museum	124	0	0
Memorial Service	95	0	0
Heritage Fund	40	0	0
Street Lighting	85	0	0
Housing Strategy	206	0	0
CCTV Control Room	350	0	0
Williamson Art Gallery	250	150	0
Parks Maintenance	450	0	0
<b>Regeneration and Environment Total</b>	<b>1,955</b>	<b>450</b>	<b>0</b>

<b>TRANSFORMATION AND RESOURCES</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Transforming Wirral Council	3,111	2,500	0
IT and Telecommunications	200	70	0
Managing the Money	373	30	0
Improving Access to the Council	250	69	0
Council Tax Collection	140	0	0
Council Tax Pensioner Discount	591	0	0
<b>Transformation and Resources Total</b>	<b>4,665</b>	<b>2,669</b>	<b>0</b>

<b>CORPORATE / EFFICIENCIES</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Managing Buildings	125	125	0
Corporate Commissioning	5,000	2,000	0
T&R Supplies and Services	400	0	0
Trading Standards	30	0	0
Leisure Review	1,000	1,000	0
Review Of Single Person Discount	300	0	0
External Funding	500	0	0
Review of Community Safety	418	185	0
Traffic Management Signals	40	0	0
<b>Corporate / efficiencies Total</b>	<b>7,813</b>	<b>3,310</b>	<b>0</b>

<b>SUMMARY</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Families and Wellbeing	10,753	6,200	1,200
Regeneration and Environment	1,955	450	0
Transformation and Resources	4,665	2,669	0
<b>Total By Directorate</b>	<b>17,373</b>	<b>9,319</b>	<b>1,200</b>
Corporate Efficiencies	7,813	3,310	0
Council Tax of 2%	*2,200	0	0
<b>Total</b>	<b>27,386</b>	<b>12,629</b>	<b>1,200</b>

\* Decision on any Council Tax increase deferred pending the final Local Government Finance Settlement announcement by Government.

**APPENDIX 2**

**GROWTH SUBMISSIONS 2014/17**

<b>DIRECTORATE</b>	<b>OPTION TITLE</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>DEMOGRAPHIC GROWTH</b>			
Families Childrens	Increase in Special Guardianship and Adoption numbers	240	240	240
Families Adults	Increase in Demand (Young Adults with Learning Disabilities)	926	930	934
Families Adults	Increased demand Older People	1,139	949	937
Families Adults	Ordinary Residence	500	0	0
Regeneration	Temporary Accommodation Budget	50	0	0
	<b>Demographic Growth</b>	<b>2,855</b>	<b>2,119</b>	<b>2,111</b>
	<b>OTHER GROWTH</b>			
Families Childrens	Staying Put Policy	0	100	0
Families Childrens	Leasowe Millennium Centre	76	0	0
Families Childrens	Youth and Play Services - refocus provision	50	0	0
Families Adults	Care Bill implications	0	50	100
Transformation	Graduate	88	0	0
Transformation	Savings Profiling including Business Rates	900	0	0
Transformation	Council Tax Summonses	1,300	0	0
Regeneration	United Utilities Standing Water Charges	0	0	92
Regeneration	New System for administering Resident Parking Schemes	40	-10	0
Regeneration	Parking Income shortfall due to end of income agreement	68	0	0
Regeneration	Biffa Property Uplift	13.	13	15
Regeneration	Selective Licensing of Landlords	356	-163	0
Regeneration	Homelessness Prevention Grant	221	0	0
Regeneration	Prevention and support services (presently from Community Fund)	0	500	0
Regeneration	Housing Standards and Renewal (presently from Community Fund)	0	600	0

DIRECTORATE	OPTION TITLE	2014/15	2015/16	2016/17
		£000	£000	£000
Regeneration	Housing Options/Homeless Prevention Team (presently from Community Fund)	0	400	0
Regeneration	Car Parking Operations Income	350	0	0
Regeneration	Increase to green waste processing gate fee	65	0	0
Regeneration	Economic Strategy Unit	200	0	0
Transformation	Council Tax Support Scheme: Uprating	265	0	0
Transformation	Council Tax Support Scheme Impact of 2% CTax rise if % payable not changed	530	0	0
Transformation	Pensioners Discounts impact of 2% Council Tax rise	26	0	0
Transformation	IT Support	120	0	0
Chief Execs	Benefit Advice Services	100	0	0
Transformation	Elapsing of unpaid leave 3 year savings option	0	0	1,400
	<b>Other Growth</b>	<b>4,768</b>	<b>1,490</b>	<b>1,607</b>
	<b>INFLATION</b>			
Families Chidrens	Increasing Fostering & Adoption Allowances	200	200	200
Families Chidrens	PFI Affordability Gap	190	150	150
Families Chidrens	Teacher Retirement Costs	80	60	60
Families Chidrens	Transport Contracts	80	70	70
Families Chidrens	Energy and CRC Allowances price increases	310	0	0
Families Adults	Contract inflation	835	843	852
Regeneration	Highway Services Contract	48	48	0
Regeneration	Contract for Parking Enforcement Services	10	15	15
Regeneration	Urban Traffic Control Systems	20	0	0
Regeneration	Biffa Contract Inflation	343	338	348
	<b>Inflation</b>	<b>2,116</b>	<b>1,724</b>	<b>1,695</b>
	<b>TOTAL GROWTH</b>	<b>9,739</b>	<b>5,333</b>	<b>5,413</b>

## **FEES AND CHARGES**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 In accordance with best practice, fees and charges of the authority should be reviewed on a regular basis. Whilst this is undertaken by Directorates it is good practice for the Council to maintain, and publish, a comprehensive Directory of Fees and Charges

### **2.0 BACKGROUND AND KEY ISSUES**

#### **CHARGING POLICY AND DIRECTORY**

- 2.1 The development and implementation of a Corporate Charging Policy is a key strand of the Council's Annual Budget Strategy in order to:

- Ensure that current charges are set and uplifted correctly.
- Ensure collection of fees and charges in an effective and efficient manner.
- Take an active approach in identifying and implementing new charging opportunities.
- Ensure the approach to charging helps the achievement of the Council's overall strategic goals.

- 2.2 Directorates have examined their fees and charges for the 2014/15 financial year and set them according to the circumstance of their services. A comprehensive Directory of Fees and Charges containing a description of the charge, VAT status and the charges covering the new and previous years is held on the Council web-site and updated at least annually.

#### **REVIEW OF CHARGES FOR 2014/15**

- 2.3 In many instances proposed fees and charges for 2014/15 have not changed from the level for 2013/14. Any changes resulting from new legislation or from savings agreed by the Council have been incorporated into the Directory. A number have still to be finalised and will be confirmed prior to publication of the Directory before 1 April 2014.
- 2.4 Under the Council Constitution Financial Regulations - Chief Officers are responsible for establishing a charging policy for the supply of goods and services, and, in consultation with the Director of Resources, for reviewing annually the levels of fees and charges relating to services under their control.

#### **INFLATION**

- 2.5 For 2014/15, no general inflationary increase was applied. This reflected the difficulties the Council had faced in achieving income targets in previous years. Whilst adjustments were made to Budgets for 2013/14 the ongoing

economic situation meant that a general increase would potentially result in further unachievable budgets.

## **TRADING SERVICES**

- 2.6 Charges for Hackney Carriage and Private Hire Licences are an example of a Trading Service. These charges are ring-fenced to only pay for the service. The current fees and charges are sufficient to cover the costs of the service and therefore any increase is prohibited.
- 2.7 Building Regulation Charges are a complex issue. The Council is required by Statute to recover the costs of the charge earning element of work over a rolling three year accounting period. Fees are set to recover costs provided that they are set within 'a scheme'. Guidance issued to authorities to aid the establishment of the appropriate charges dictates that the method of establishing the hourly rate must be indicated and potential applicants must be advised of the charge together with the level of service they will receive upon application. Given the complexity of the charging regime and the wide range of different scenarios the building control charges have been included in the appendix in three separate schedules.

## **DISCRETIONARY CHARGES**

- 2.8 Increases in fees and charges may impact upon certain groups such as those on lower incomes. Policies to offer discounts or apply means tests may help to mitigate these impacts. The implications of specific charges will be addressed by the relevant Chief Officer when implementing any changes.
- 2.9 The largest source of income is from Adult Social Care charges which are presently being consulted upon as part of the Budget 2014/15. Once confirmed they will be incorporated into the Council fees and Charges Schedule.
- 2.10 The largest range of income is that encompassing leisure and cultural service activities. Possible changes to leisure and cultural services fees and charges are being considered as part of a general review of these services which is expected to report after the setting of the 2014/15 Budget. Increases arising from this review can be amended by Cabinet to reflect particular conditions and to take account of feedback from consultation.
- 2.11 Car parking is a significant source of income. Parking fees continue to be regularly reviewed having regard to competing providers as well as highways and traffic management issues. For 2013/14 Council agreed to standardise car parking charges across Wirral. During the forthcoming year a more comprehensive review of parking will be undertaken.

## **3.0 RELEVANT RISKS**

- 3.1 Whilst budgets for income from fees and charges are set having regard to whether they are statutory or discretionary the achievement of the level of



income can be influenced by a number of factors including the local economic situation. These are mitigated by the annual review and the budgets were amended for 2013/14 reflecting that some were deemed unachievable.

#### **4.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

4.1 Income from Fees and Charges is an integral part of the Council Budget.

#### **5.0 RECOMMENDATIONS**

5.1 That the Directory be noted and Delegated Authority be given to the Director of Resources to update the Directory as charges are finalised prior to publication before 1 April 2014.

**LEVEL OF GENERAL FUND BALANCES**

**1.0 EXECUTIVE SUMMARY**

1.1 This Appendix sets out the level of General Fund balances the Council maintains and the approach that has been used to determine this level.

**2.0 BACKGROUND AND KEY ISSUES**

**INTRODUCTION**

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 Grant Thornton report on Financial Resilience at Wirral Council made reference to the need for robust financial control and the continuing financial challenges. The Council needs to have in place arrangements to ensure its' sustainable financial health and measures in place to mitigate against financial risks. One aspect of this is the maintenance of sufficient General Fund balances.

**LOCALLY DETERMINED LEVEL OF GENERAL FUND BALANCES**

2.3 The level should be based on the Council's own specific circumstances. Grant Thornton in their report "Surviving the storm: how resilient are local authorities?" and updated in "2016 tipping point? Challenging the current" identified best practice as follows:

- The Authority operates within a locally determined appropriate level of reserves and balances.
- The General Fund balance is maintained at or above the locally agreed minimum level.

2.4 In determining the appropriate level of General Fund balances the Council takes account of the strategic, operational and financial risks facing the Council. In planning the financial future and the level of reserves the Council takes into account of the main risks and uncertainties including:-

- Legislative changes
- Inflation and Interest Rates
- Grants
- Volume and Demand Changes
- Budget Savings
- Insurance and Claims

2.5 The report to Cabinet on the 2013/14 budget on 28 November 2012 detailed

the new approach and the minimum General Fund balance in relation to the risks faced by, and the financial circumstances of Wirral, so that the Council could work towards funding an increased level of Reserves. This was then updated in the report of 18 February 2013.

## **FINANCIAL RESILIENCE: REDUCTIONS TO RISK AND MITIGATION**

- 2.6 The Revenue Monitoring throughout 2013/14 has shown that that the Budget is continuing to be delivered within the resources available with a projected underspend for the year. The process for the 2014/15 Budget has been enhanced to further improve the projections having regard to the timing of delivery and possible double-counting, whilst also improving the mechanisms to ensure the successful delivery of savings.
- 2.7 Based upon the approach set out above and having regard to both the current financial position and the Budget for 2014/15 and beyond the calculation has been updated and is detailed in the Annex.

## **SUMMARY OF THE ASSESSED GENERAL FUND BALANCES**

	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m
Assessed level February 2013	13.0	17.7	13.1	-
Assessed level February 2014	13.0	17.3	15.4	13.9

- 2.8 The February 2014 assessment for 2014/15 is largely in line with that projected in February 2013. This included revisions to the risks in relation to social care which is also linked to the risk around the in-year achievement of the agreed Budget Savings / reductions which is then reflected in future years. The Budget Savings include those connected with Re-Modelling and Re-Structuring the Council forecast for implementation in mid 2014/15 and also includes Commissioning and Procurement.
- 2.9 The revised 2013/14 General Fund balance risk calculation was for a minimum of £13 million at 31 March 2014 and the level to be achieved is £17.3 million. The latest Monitoring Report (December 2013 - Month 9) showed:-

## **SUMMARY OF THE PROJECTED GENERAL FUND BALANCES**

Details	£m	£m
Projected balance 31 March 2014 when Budget set 2013/14		+13.6
Add: Increase following completion of 2012/13 accounts	+3.6	
Add: Potential underspend, at M9	+1.0	+4.6
Less: Funding of energy increase 2013/14	-0.2	
Less; Funding for Storm damage and cleansing	-0.3	
Less: Restoration of reserve transfer	-0.5	-1.0
Projected balance 31 March 2014		17.2

2.10 Based upon the revised target for 31 March 2014 the current projections show this as being achievable.

### **3.0 RELEVANT RISKS**

3.1 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.

3.2 The calculation of the level of General Fund balances is based upon an assessment of risk against a series of key areas as detailed in section 2.4. This takes into consideration the specific issues as they affect Wirral.

3.3 Setting General Fund balances to a % of the net budget or at a level based on the level of regular Council expenditure and income eg two months of regular expenditure and income do not assess the specific circumstances that the Council faces.

### **4.0 RESOURCE IMPLICATIONS: FINANCIAL, IT, STAFFING AND ASSETS**

4.1 The locally determined approach to General Fund Balances results in an assessed level of balances.

### **5.0 RECOMMENDATIONS**

5.1 Agree:

a) The level of General Fund balances recommended continues to be based on a locally determined approach to the assessment of the financial risks that the Council may face in the future.

b) The Council maintains its level of balances at, or above, the locally determined level of General Fund balances.

**RISK BASED ASSESSMENT OF THE LEVEL OF GENERAL FUND BALANCES**

**ANNEX**

Area of Risk	2013/14			2014/15			2015/16			2016/17		
	Budget £000	Risk Level %	Value £000	Budget £000	Risk Level %	Value £000	Budget £000	Risk Level %	Value £000	Budget £000	Risk Level %	Value £000
<b>Legislative Changes</b>												
Total Formula Grant / Localised Business Rates	136,053	0.00%	0.0									
Local Business Rates				32,525	2.00%	650.5	33,276	2.00%	665.5	33,276	2.00%	665.5
Council Tax Benefit	28,124	5.00%	1,406.2	23,800	2.00%	476.0	23,800	2.00%	476.0	23,800	2.00%	476.0
C Tax Grant Reduction	3,125	0.00%	0.0	0	0.00%	0.0	0	0.00%	0.0	0	0.00%	0.0
Technical Changes to Council Tax		Calc	-400.0	2013/14								
Public Health Transfer	22,000	0.00%	0.0	2013/14								
Health & Social Care Bill	15,000	0.00%	0.0	2015/17			12,000	2.00%	240.0	12,000	2.00%	240.0
Waste Levy - 50% recycling by 2020	14,687	3.00%	440.6	14,687	3.00%	440.6	14,687	3.00%	440.6	14,687	3.00%	440.6
Discretionary Social Fund Single Status	6,751	5.00%	337.6	2013/14								
	3,500	3.00%	105.0	3,750	3.00%	112.5	3,000	3.00%	90.0	3,000	3.00%	90.0
	<b>229,240</b>		<b>1,889.4</b>	<b>74,762</b>		<b>1,679.6</b>	<b>86,763</b>		<b>1,912.1</b>	<b>86,763</b>		<b>1,912.1</b>
<b>Inflation</b>												
Employees	142,936	0.10%	142.9	129,115	0.10%	129.1	129,938	0.10%	129.9	129,938	0.10%	129.9
Premises	22,180	0.75%	166.4	17,146	0.75%	128.6	16,796	0.75%	126.0	16,796	0.75%	126.0
Transport	8,556	1.00%	85.6	7,222	1.00%	72.2	6,786	1.00%	67.9	6,786	1.00%	67.9
Supplies	113,960	1.00%	1,139.6	117,211	1.00%	1,172.1	115,257	1.00%	1,152.6	115,257	1.00%	1,152.6
Services	92,438	0.50%	462.2	119,558	0.50%	597.8	118,933	0.50%	594.7	118,933	0.50%	594.7
Transfer	163,072	1.00%	1,630.7	140,727	1.00%	1,407.3	140,727	1.00%	1,407.3	140,727	1.00%	1,407.3
Capital Programme	2014/17			44,000	1.00%	440.0	44,000	1.00%	440.0	44,000	1.00%	440.0
	<b>543,142</b>		<b>3,627.4</b>	<b>574,979</b>		<b>3,947.1</b>	<b>528,437</b>		<b>3,918.3</b>	<b>528,437</b>		<b>3,918.3</b>
<b>Interest Rates</b>												
Borrowing	12,644	0.00%	0.0	12,644	0.00%	0.0	12,644	0.00%	0.0	12,644	0.00%	0.0
Investment	875	0.00%	0.0	875	0.00%	0.0	875	0.00%	0.0	875	0.00%	0.0
	<b>13,519</b>		<b>0.0</b>	<b>13,519</b>		<b>0.0</b>	<b>13,519</b>		<b>0.0</b>	<b>13,519</b>		<b>0.0</b>

Area of Risk	2013/14			2014/15			2015/16			2016/17		
	Budget £000	Risk Level %	Value £000	Budget £000	Risk Level %	Value £000	Budget £000	Risk Level %	Value £000	Budget £000	Risk Level %	Value £000
<b>Grants</b>												
Housing Benefits incl Admin Grant	138,273	0.50%	691.4	140,036	0.50%	700.2	140,727	0.50%	703.6	140,727	0.50%	703.6
Other G Fund Grants	73,113	0.50%	365.6	62,486	1.00%	624.9	60,286	0.50%	301.4	58,086	0.50%	290.4
	<b>211,386</b>		<b>1,056.9</b>	<b>202,522</b>		<b>1,325.0</b>	<b>201,013</b>		<b>1,005.1</b>	<b>198,813</b>		<b>994.1</b>
<b>Volume / Demand Changes</b>												
Capital Receipts	3,000	2.00%	60.0	3,000	2.00%	60.0	3,000	2.00%	60.0	3,000	2.00%	60.0
Customer/Client Receipts	47,124	0.50%	235.6	47,808	1.00%	478.1	47,808	0.50%	239.0	47,808	0.50%	239.0
Social Care	89,140	0.25%	222.9	89,140	2.00%	1,782.8	89,140	2.00%	1,782.8	89,140	2.00%	1,782.8
Collection Fund	132,911	0.25%	332.3	111,357	0.25%	278.4	111,357	0.25%	278.4	111,357	0.25%	278.4
Winter Pressures	400	50.00%	200.0	400	50.00%	200.0	400	50.00%	200.0	400	50.00%	200.0
	<b>272,175</b>		<b>1,050.7</b>	<b>251,305</b>		<b>2,799.3</b>	<b>251,305</b>		<b>2,560.2</b>	<b>251,305</b>		<b>2,560.2</b>
<b>Budget Savings</b>												
Budget Reductions	<b>38,988</b>	<b>13.00%</b>	<b>5,068.4</b>	<b>45,000</b>	<b>15.00%</b>	<b>6,750.0</b>	<b>35,139</b>	<b>15.00%</b>	<b>5,270.9</b>	<b>25,118</b>	<b>15.00%</b>	<b>3,767.7</b>
<b>Insurance Claims</b>												
MMI Liabilities	498	2.00%	10.0	498	5.00%	24.9	498	5.00%	24.9	498	5.00%	24.9
Legal Liabilities	9,723	2.00%	194.5	10,000	2.00%	200.0	9,723	2.00%	194.5	9,723	2.00%	194.5
Self Insured Liabilities	2,977	2.00%	59.5	2,977	2.00%	59.5	2,977	2.00%	59.5	2,977	2.00%	59.5
	<b>13,198</b>		<b>264.0</b>	<b>13,475</b>		<b>284.4</b>	<b>13,198</b>		<b>278.9</b>	<b>13,198</b>		<b>278.9</b>
<b>Energy and Resilience</b>												
Infrastructure failure	<b>2014/17</b>			<b>3,000</b>	15.00%	450.0	<b>3,000</b>	15.00%	450.0	<b>3,000</b>	15.00%	450.0
Carbon Tax Legislation	<b>245</b>	20.00%	49.0	<b>294</b>	20.00%	58.8	<b>250</b>	20.00%	50.0	<b>250</b>	20.00%	50.0
<b>TOTAL</b>			<b>13,005.8</b>			<b>17,294.2</b>			<b>15,445.4</b>			<b>13,931.3</b>

## **REVIEW OF RESERVES AND PROVISIONS**

### **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 BACKGROUND AND KEY ISSUES**

- 2.1 Integral to the effective use of resources is an understanding of the overall financial position of the Authority. The monthly Monitoring reports presented to Cabinet and to the Policy & Performance Committees include reference to resources held on the Balance Sheet in the form of provisions and reserves.

#### **PROVISIONS AND RESERVES**

- 2.2 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.
- 2.3 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.
- 2.4 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.

#### **PROVISIONS**

- 2.5 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.
- 2.6 Annex 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**

- 2.7 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.
- 2.8 Annex 1 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.
- 2.9 With the Council undertaking a major remodelling in order to deliver the Council Vision for 2016 resources are needed to help achieve this aim. It is proposed to create a Remodelling Reserve from the reserves released by Directorates as no longer being required together with the transfer of two reserves namely the Budget Support and Local Pay reserves. Cabinet has also agreed that any Revenue Budget underspend in 2013/14 will be used to replenish balances and any additional sum be allocated to the Remodelling / Restructuring Reserve.

### **3.0 RELEVANT RISKS**

- 3.1 Regular Balance Sheet management is required to ensure that the authority has a sufficient level of 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 levels.

### **4.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

- 4.1 The setting and justification of provisions and reserves is a key element of the Council's financial process. At the start of 2013/14 the Council held over £64 million in earmarked reserves and over £13 million of service provisions.
- 4.2 With available reserves transferred to the Remodelling Reserve there will be no sums returned to General Fund balances. The Reserve will initially comprise of £9.9 million being the £3.7 million released by Directorates, the £4.2 million from the Budget Support 2014/15 reserve and £2 million from the Local Pay reserve.

### **5.0 RECOMMENDATIONS**

- 5.1 That the release of Reserves by Directorates be agreed.
- 5.2 That a Remodelling / Restructure reserve be created from the reserves released together with the amalgamation of the Budget Support 2014/15 and Equal Pay reserves.



## REVIEW OF PROVISIONS AS AT JANUARY 2014

Directorate	Brief Description and summary code	Opening 2013/14	Use/Required 2013/14	Release
Families & Well Being – CYP	CP051 - A/MGMT - Carbon Reduction Commitment	-487,570.00	-487,570.00	
	<b>Total</b>	<b>-487,570.00</b>	<b>-487,570.00</b>	<b>0.00</b>
Families & Well Being – DASS	SPP03 – Supported Living Accommodation	-493,297.09	-493,297.09	
	SPP04 - Harvest Court Lease	-37,694.00	-37,694.00	
	<b>Total</b>	<b>-530,991.09</b>	<b>-530,991.09</b>	<b>0.00</b>
Regeneration & Environment	CP046 - Land Charges Provision	-249,614.00	-249,614.00	
	CP050 - Big Grants	-14,453.40	-14,453.40	
	<b>Total</b>	<b>-264,067.40</b>	<b>-264,067.40</b>	<b>0.00</b>
Transformation & Resources	FP001 - HB Invoiced Overpayments	-7,017,378.84	-7,017,378.84	
	FP006 - Provision For Bad Debts	-10,900,137.18	-10,900,137.18	
	FP007 - Summons Costs Bad Debts - Council Tax	-433,042.72	-433,042.72	
	FP010 - Summons Costs Bad Debts - NDR	-56,710.33	-56,710.33	
	FP015 - Transformational Change Support	-109,100.00	0.00	109,100.00
	FP018 - Severance Pay	-4,474,180.63	-4,474,180.63	
	<b>Total</b>	<b>-22,990,549.70</b>	<b>-22,881,449.70</b>	<b>109,100.00</b>
Insurance/Tax/Misc	IF022 - M.M.I. Run Off	-85,000.00	-85,000.00	
	IF028 - PI/El/Pi Reserve	-1,549,999.91	-1,549,999.91	
	NR002 - CTX - Police Restatement	901,407.75	901,407.75	
	NR003 - CTX – Fire Restatement	403,168.70	403,168.70	
	NR055 - CTX – Bad Debts Council Tax	-8,802,810.02	-8,802,810.02	
	<b>Total</b>	<b>-9,133,233.48</b>	<b>-9,133,233.48</b>	<b>0.00</b>
Chief Executive & Corporate	CP018 - Area Forum Funding	-186,692.97	-186,692.97	
	CP030 - EVR Costs	-7,182.38	-7,182.38	
	CP032 - You Decide	-306,000.00	0.00	306,000.00
	CP037 - LAA Network Support	-134,000.00	0.00	134,000.00
	<b>Total</b>	<b>-633,875.35</b>	<b>-193,875.35</b>	<b>440,000.00</b>
	<b>Total Provisions less than one year</b>	<b>34,040,287.02</b>	<b>33,491,187.02</b>	<b>549,100.00</b>
Regeneration & Environment	CP026 – Employment Land Study	-7,430.00	-7,430.00	
	CP040 - Merseyside Habitats Regulations	-14,965.36	-14,965.36	

	<b>Total</b>	-22,395.36	-22,395.36	0.00
Insurance/Tax/Misc	IF028 - Pl/El/Pi Reserve	-5,217,591.00	-5,217,591.00	
	<b>Total</b>	-5,217,591.00	-5,217,591.00	0.00
	<b>Total Provisions over one year</b>	<b>-5,239,986.36</b>	<b>-5,239,986.36</b>	<b>0.00</b>
<b>Total Provisions</b>		<b>39,280,273.38</b>	<b>38,731,173.38</b>	<b>549,100.00</b>

## REVIEW OF RESERVES AS AT JANUARY 2014

Directorate	Brief Description and summary code	Opening 2013/14	Use/Required 2013/14	Release
Families & Well Being – CYP	CR002 - A/MGMT -Birkenhead Registrars Renovation	-16,500.00	-16,500.00	
	CR006 - A/MGMT - Leasowe Millennium Centre	-72,189.51	-72,189.51	
	CR012 - CYP - C Exec Community Fund	-26,260.00	-26,260.00	
	CR015 - A/MGMT - Admin Bldg Rep Fund	-48,349.01	-48,349.01	
	CR016 - A/MGMT - Managed Properties Rep Fund	-24,964.66	-24,964.66	
	CR025 - A/MGMT – Sustainability	-10,000.07	-10,000.07	
	CR027 - A/MGMT - Asset Review	-114,485.45	-114,485.45	
	CR029 - A/MGMT - Property Maint Disabled Access	-12,155.59	-12,155.59	
	CR044 - A/MGMT - Community Fund CAT	-2,146,188.39	-2,146,188.39	
	CR045 - A/MGMT - Community Energy Efficiency Fund	-833.75	-833.75	
	CR060 - A/MGMT – PPM	-463,179.81	-463,179.81	
	E0074 - CYP - India Exchange	-1,302.67	-1,302.67	
	ER002 - CYP - Childrens LCL safeguarding	-31,280.79	-31,280.79	
	ER012 - SCHOOLS - Nursery Education Grant	-108,000.00	-108,000.00	
	ER112 - SCHOOLS - Schools Balances C/Fwd	-10,550,316.94	-10,550,316.94	
	ER113 - CYP – DAT Pooled Budgets (Res)	-97,934.88	-97,934.88	
	ER115 -SCHOOLS - Schools Excess Balances	-9,504.00	-9,504.00	
	ER116 - SCHOOLS -Schools Special Contingency C/Fd	-369,569.26	-369,569.26	
	ER117 - CYP- Childrens Workforce Development Council	-9,678.46	-9,678.46	
	ER118 - SCHOOLS - Schools Harmonisation Costs	-668,258.84	-668,258.84	
	ER119 - SCHOOLS - DSG Carry Forward	-472,217.48	-472,217.48	
	ER121 - CYP – Help for Young People	-20,000.00	-20,000.00	
	ER160 - SCHOOLS -Cash Management Schools	-1,386,412.00	-1,386,412.00	
	ER178 - CYP CAPITAL Forcap For Cap Prog	-62,906.68	-62,906.68	

ER190 - CYP CAPITAL Cash Management Seed Pta	-57,190.00	-57,190.00	
ER199 - CYP - Adoption & Fostering Reserve	-7,143.15	-7,143.15	
ER201 - CYP - School Improvement IT Programme	-41,012.00	-41,012.00	
ER601 - CYP CAPITAL -PFI Capital Reserve	-85,729.71	-85,729.71	
ER684 - CYP CAPITAL Cap Financing Contrib's	-20,000.00	-20,000.00	
ER687 - CYP CAPITAL - Woodchurch	-2,077.05	-2,077.05	
ER740 - SCHOOLS -LSG-PLESSINGTON HIGH	-1,300.00	-1,300.00	
ER751 - SCHOOLS - Automatic Meter Readers	-415,000.00	-415,000.00	
ER754 - CYP - School Improvement Reserve	-64,364.64	-64,364.64	
ER755 - CYP – Music Service Income	-97,525.97	-97,525.97	
ER758 - CYP – ASB Reserve	-33,818.00	-33,818.00	
ER763 - CYP - CAMHS Reserve	-24,313.81	-24,313.81	
ER765 - SCHOOLS - MUGA Wirral Hospital School	-17,800.55	-17,800.55	
ER767 - CYP – Stay, Work, Learn Wise	-907,820.00	-907,820.00	
ER768 - CYP - YPLA / LSC Funding Balance	-74,861.85	-74,861.85	
ER769 - SCHOOLS - CLC Contingency	-115,170.98	-115,170.98	
ER770 - SCHOOLS - AST Contingency	-136,390.26	-136,390.26	
ER771 - CYP – CWDC	-558,592.57	-558,592.57	
ER772 - SCHOOLS - Premature Retirement Costs	-108,567.98	-108,567.98	
ER774 - SCHOOLS - DSG Contingency	-193,795.19	-193,795.19	
ER802 - CYP CAPITAL -Bebington High	-4,100.82	-4,100.82	
ER803 - CYP CAPITAL - Hilbre High	-10,551.76	-10,551.76	
ER805 - CYP CAPITAL - Oldershaw	-17,178.23	-17,178.23	
ER806 - CYP – YOS - Multi Systemic Therapy	-151,664.84	-151,664.84	
ER808 - CYP - Childrens Centre Income Reserve	-198,646.42	0.00	198,646.42
ER812 - CYP CAPITAL - Brookdale Primary	0.87	0.87	
ER817 - CYP CAPITAL -Birkenhead Academy	-68,931.00	-68,931.00	
ER818 - CYP CAPITAL - Gayton	-55,266.62	-55,266.62	
ER820 - CYP CAPITAL - Irby Primary	-21,000.00	-21,000.00	
ER825 - CYP CAPITAL - Pensby Primary	-28,095.00	-28,095.00	
ER829 - CYP CAPITAL - Somerville	-113,000.00	-113,000.00	
ER830 - CYP CAPITAL - Ridgeway Roof	-9,000.00	-9,000.00	
ER831 - CYP CAPITAL - Park Primary	-15,000.00	-15,000.00	
ER832 - CYP - Get Involved	-61,952.00	-61,952.00	
ER833 - CYP - Intensive Family Intervention Project	-871,434.43	-871,434.43	

	ER834 - CYP - Child Poverty	-350,000.00	-350,000.00	
	ER835 - CYP - Children's Improvement Board	-5,000.00	-5,000.00	
	LR231 - A/MGMT - Caretakers Lodges Repairs	-34,332.13	-34,332.13	
	LR417 - A/MGMT - Allotments Officer	-15,000.34	-15,000.34	
	R8240 - A/MGMT - Strategic Asset Review	-250,799.00	-250,799.00	
	TP008 - CYP CAPITAL - Vehicle Purchase	-157,750.00	-157,750.00	
	TP017 - A/MGMT - Energy Conservation	-50,000.00	-35,400.00	14,600.00
	TP025 - H&S - Armed Forces - Welfare Pathway	-22,003.49	-20,000.00	2,003.49
	TP026 - H&S - Flooding Prevention	-166,515.49	-166,515.49	
	TP029 - H&S - Occupational Health - Staff Replacement	-5,300.46	-5,300.46	
	<b>Total</b>	<b>-22,367,483.11</b>	<b>-22,152,233.20</b>	<b>215,249.91</b>
Families & Well Being - DASS	SR001 - SHE Royden Park Scheme	-4,611.12	-4,611.12	
	SR002 - Heswall Day Centre	-7,331.11	-7,331.11	
	SR005 - Mapleholme Donation	-264.24	-264.24	
	SR007 - Star Design Donation	-5,860.00	-5,860.00	
	SR008 - Cambridge Road Day Centre	-414.40	-414.40	
	SR009 - Balls Road Birkenhead Supported Living	-36,042.17	-36,042.17	
	SR010 - North Road Birkenhead Supported Living	-10,314.02	-10,314.02	
	SR103 - Person Centred Plan	0.22	0.22	
	SR109 - FUNDING FOR END OF LIFE CARE	-13,164.00	-13,164.00	
	SR110 - DASS Development Programme	-38,222.53	-38,222.53	
	<b>Total</b>	<b>-116,223.37</b>	<b>-116,223.37</b>	<b>0.00</b>
Families & Well Being - Sports & Rec	LR202 - Sports Centre Contingency	-50,000.00	-50,000.00	
	LR412 - PCT - Physical Activities Grant	-103,500.07	-103,500.07	
	TP019 - Leisure Equipment	-48,555.80	-48,555.80	
	<b>Total</b>	<b>-202,055.87</b>	<b>-202,055.87</b>	<b>0.00</b>
Regeneration & Environment	CR018 - Local Develop F/Work PDG	-221,559.68	-221,559.68	
	CR026 - Seaside Town Strategy	-20,891.00	-20,891.00	
	CR030 - West Wirral Schemes	-230,276.17	-230,276.17	
	CR040 - HRA Loan Repayments	-36,379.38	-36,379.38	
	CR056 - ERDF 4.2 Match Funding	-444,249.53	-444,249.53	
	CR058 - BIG Capital Grants	-342,010.00	-342,010.00	
	CR064 - Trading Standards Modern Apprentices	-59,229.00	-59,229.00	
	CR065 - Licensing Legal Costs	-40,000.00	-40,000.00	
	CR066 - Empty Prop Council Tax	-44,471.94	-44,471.94	

CR067 - Trading Standards	-117,388.00	-117,388.00	
CR068 - Environmental Health	-30,021.00	-30,021.00	
CR069 - Community Patrol	-100,000.00	-100,000.00	
LR140 - Art Fund	-30,332.86	-30,332.86	
LR143 - Rangers Activities	-54,014.64	-54,014.64	
LR144 - Hilbre Island - Sec 106	-21,172.04	-21,172.04	
LR196 - Reeds Lane Play - Sec 106	-60,536.00	-60,536.00	
LR199 - NOF Transform Space C7317	-83,095.46	-83,095.46	
LR222 - Outdoor Gyms	-197,848.00	-197,848.00	
LR260 - Golf Development reserve	-619.03	-619.03	
LR306 - Beechwood Park Play Area - Sec 106	-61,151.89	-61,151.89	
LR408 - Beechwood Community Spaces S106	-100,000.00	-100,000.00	
R5000 – Supporting People Grant Admin	-109,033.05	-109,033.05	
R5002 – Supporting People Grant Programme	-995,703.52	-795,703.52	200,000.00
R8004 - Taxi Demand Survey	-80,495.00	-80,495.00	
R8007 - New Homes Bonus	-156,360.00	-156,360.00	
R8012 - Wirral Executive	-9,919.92	-9,919.92	
R8019 - Dog Fouling	-2,731.00	-2,731.00	
R8026 - Dog Wardens Bequests	-2,236.29	-2,236.29	
R8034 - Psl Tenancy Deposits	-23,279.65	-23,279.65	
R8035 - Group Repair Scheme	-123,344.43	-123,344.43	
R8036 – HMRI	-154,216.64	-154,216.64	
R8041 - Wirral H I A	-517,997.13	-495,269.00	22,728.13
R8072 - Community Safety Initiatives	-162,647.74	-162,647.74	
R8073 - HMO Licence Fees	-60,884.23	-60,884.23	
R8074 - Homeless Prevention	-271,063.59	-271,063.59	
R8075 - Cosyhomes Insulation	-150,000.00	-150,000.00	
R8077 - Housing Priority Panel	-98,579.56	-98,579.56	
R8078 - Financial Assistance Fees	-14,820.00	-14,820.00	
R8079 - Neptune S.106 Works	-21,333.00	-21,333.00	
R8080 - DCLG Empty Shops Grant	-44,212.00	-44,212.00	
R8081 - Challenge Fund Properties	-80,811.28	-80,811.28	
R8082 - Worklessness Programme	-1,084,809.00	-1,084,809.00	
R8083 – Apprentice Programme Phases 2 & 3	-545,764.00	-545,764.00	
R8084 - Unlawful Subletting/Under Occupation Project	-60,000.00	-60,000.00	

	R8260 - WNF Balance	-760,898.08	-760,898.08	
	R8300 - Heritage Fund	-95,874.56	-95,874.56	
	T1106 - Insurance Contribution - Highway Safety	-54,581.59	-54,581.59	
	TP001 - 20 mph Zones	-29,398.00	-29,398.00	
	TP003 - Wheelie Bin Replacement	-31,542.30	-31,542.30	
	TP007 - Energy Investment	-4,735.46	-4,735.46	
	TP014 - IT Upgrade	-256.17	-256.17	
	TP021 - Birkenhead Park - bridge repair	-13,000.00	-13,000.00	
	TP022 - BikeSafe	-6,375.30	-6,375.30	
	TP023 - Street Cleansing - You Decide	-3,000.00	-3,000.00	
	TP024 - Deep Cleanse (Keep It Local)	-8,556.89	-8,556.89	
	TP027 - Asset Management	-39,234.22	-39,234.22	
	TS068 - Hiways Write Off Fund	-15,993.59	-15,993.59	
	<b>Total</b>	<b>-8,128,932.81</b>	<b>-7,906,204.68</b>	<b>222,728.13</b>
Transformation & Resources	CR001 - Coroners Office	-79,569.34	-79,569.34	
	CR011 - Local Pay Review	-2,296,110.15	-296,110.15	2,000,000.00
	CR023 - H R Occ Health New Deal	-0.08	-0.08	
	CR028 - Legal Case Mgmt System	-11,545.80	-11,545.80	
	CR036 - EAT / RAT Dev Portal	-38,604.31	0.00	38,604.31
	CR059 - M I E P	-69,320.56	0.00	69,320.56
	FR002 - Finance Training Reserve	-40,000.22	0.00	40,000.22
	FR008 - One Stop Shop I T Networks	-1,877,685.36	-1,877,685.36	
	FR009 - Intranet Development	-1,632,554.80	-1,632,554.80	
	FR012 - Housing Benefit	-7,718,294.68	-5,518,294.68	2,200,000.00
	FR015 - PRINTING UNIT	-35,444.57	-35,444.57	
	FR018 - HB/CT Liabilities	-2,436,385.19	-2,436,385.19	
	FR024 - ITS Replacement Programme Reserve	-1,528,804.50	-1,528,804.50	
	FR025 - Schools Broadband	-76,500.00	-76,500.00	
	FR027 - Efficiency Investment Rolling Fund	-2,000,000.00	-2,000,000.00	
	FR029 - Public Health Innovation Fund	-40,040.04	-40,040.04	
	FR030 - Severance Pay	-1,025,819.37	-1,025,819.37	
	FR108 - Schools Service IT Reserve	-294,180.81	-294,180.81	
	FR109 - 2014/15 Budget Support	-4,200,000.00	0.00	4,200,000.00
	<b>Total</b>	<b>-25,400,859.78</b>	<b>-16,852,935.19</b>	<b>8,547,925.09</b>
Insurance/Tax/Misc	IF018 - Motor Reserve B/F	-200,000.00	-200,000.00	

	IF020 - Fire Reserve B/F	-2,500,000.00	-2,500,000.00	
	IF021 - Civil Contingency Fund	-1,500,000.00	-1,500,000.00	
	IF022 - M.M.I. Run Off	-412,581.79	-412,581.79	
	IF023 - Contaminated Land	-500,000.00	-500,000.00	
	IF024 - Risk Management	-144,400.00	-144,400.00	
	IF028 - PI/El/Pi Reserve	-1,059,307.36	-1,059,307.36	
	IF046 - P I Reserve	-50,000.00	-50,000.00	
	IF047 - Claims Mgmt Reserve	-150,000.18	-150,000.18	
	IF051 - PFI Balance of Risks	-51,998.00	-51,998.00	
	IF052 - Budget Surplus / Deficit	-108,722.48	-108,722.48	
	IF053 - Interest on PIC	-9,999.91	-9,999.91	
	IF056 - Uninsured Liability	-1,010,145.04	-1,010,145.04	
	IF103 - Plate Glass Insurance Fund	-40,000.00	-40,000.00	
	IF104 - Equipment Insurance Fund	-75,000.00	-75,000.00	
	IF105 - Fidelity Fund	-9,000.00	-9,000.00	
	Q0023 - Ex HRA Contingency Reserve	-40,000.00	0.00	40,000.00
	<b>Total</b>	<b>-7,861,154.76</b>	<b>-7,821,154.76</b>	<b>40,000.00</b>
Chief Executive & Corporate	CR014 - Investment Marketing Campaigns	-90,000.00	-90,000.00	
	CR022 - EVR Costs	-47,429.31	-47,429.31	
	CR032 - LAA Reward Grant - Revenue	-322,347.07	0.00	322,347.07
	CR038 - Discover Wirral Marketing Campaigns	-90,000.00	-90,000.00	
	CR047 - The Open 2014	-50,000.00	-50,000.00	
	CR048 - Wirral MCO Strategic Leadership	-30,000.00	-30,000.00	
	CR061 - ERDF Wirral Events MF	-15,405.99	-15,405.99	
	CR062 - Wirral Visitor Guide	-21,000.00	-21,000.00	
	CR063 - Wirral Attractions Group	-750.05	-750.05	
	FR028 - Public Health Implementation Fund	-32,367.55	-32,367.55	
	<b>Total</b>	<b>-699,299.97</b>	<b>-376,952.90</b>	<b>322,347.07</b>
<b>Total Reserves</b>		<b>64,776,009.67</b>	<b>55,427,759.97</b>	<b>9,348,250.20</b>

**BUDGET 2014/15 - CHIEF FINANCIAL OFFICER STATEMENT**

**1.0 EXECUTIVE SUMMARY**

1.1 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (Director of Resources) is required to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund balances and reserves.

**2.0 BACKGROUND AND KEY ISSUES**

2.1 The budget setting process sets out to estimate spend and income based on the combined effect of many assumptions, projections, estimates and uncertainties. These are based on a professional analysis at a point in time supported by comprehensive risk assessment. The finances of any organisation are subject to constant change and review and their integrity is based on balancing accuracy and certainty with the uncontrollable aspects of the economy, the environment and demand.

2.2 This Statement is designed to give Members a reasonable assurance that the Budget has been based on the best available information and assumptions. Variances are a fact of life, the financial soundness of the authority is dependant on responding quickly to variances, identifying pressures early and being agile about resolutions. In addition, there is a need to maintain an adequate level of reserves to allow for unplanned events; balancing the need to be financial prudent with a desire to use funds for the overall benefit of the Wirral Community. Holding reserves at too high a level can be too risk averse but equally in a time of such severe austerity and constrained flexibility it is imperative that sufficient reserves are held to mitigate risks of overspend, phasing of savings and unplanned events.

2.3 In order to meet the robustness requirement a number of key processes were put into place, including:

- the issuing of clear guidance on preparing budget growth and savings options for the three year period 2014/17.
- peer review by finance staff involved in preparing the standstill [base] budget namely the existing budget plus necessary inflation.
- the use of budget monitoring, and re-alignment of budgets with current demand for 2013/14 and future years.
- a review by the Chief Executive Strategy Group, supported by a series of officer challenge sessions, of proposed savings and their achievability.
- a Member review and challenge of each proposal through the Policy & Performance Committees and Cabinet.
- the Director of Resources providing advice throughout the process on robustness, including inflationary factors, avoiding unallocated savings



and reflecting current demand and service standards (unless standards and eligibility are to be changed through a change in policy).

- extensive consultation with the public and various groups including the voluntary sector and community and faith groups.

2.4 Besides these arrangements, which are designed to test the Budget throughout its various stages of development, considerable reliance is placed on Managers having proper arrangements in place to identify issues, project demand for services, and consider value for money and efficiency. Directors and managers are accountable for their budgets, for managing demand and for highlighting emerging pressures.

2.5 A key part of improving these processes is the ongoing development, and refinement, of data and information to monitor service volume and unit costs and track changes in both. This will also assist with the Council's Medium Term Financial Strategy.

### **3.0 RELEVANT RISKS**

3.1 A formal Risk Review of the Revenue Budget is undertaken to reflect local circumstances and from this it is proposed that Balances be set at a level appropriate to the identified risks. This is a separate section in this report and Appendix 4 details the risk assessment on General Fund balances.

3.2 Risks in relation to the Revenue Budget and Capital Programme flow from the assumptions in the Annex and will be kept under review as part of the Financial Monitoring Reports to Cabinet throughout the 2014/15 financial year.

### **ROBUSTNESS OF THE REVENUE ESTIMATES**

3.3 The 2014/15 Budget process improved further upon that in place for 2013/14 including a robust process to identify, review and assess both growth and savings proposals. This saw the production of proposals from the Chief Executive which were subject to public consultation and review by Elected Members.

3.4 Cabinet considered, and agreed, proposals in December 2013 to assist in the production of a balanced Revenue Budget for 2014/15. This now has to be formally concluded along with the identified areas for 2015/17 that seek to address the deficits in these years. The development of the Medium Term Financial Plans will improve the 2015/17 savings and efficiency proposals. The Annex shows the factors taken into account in developing the draft Budget.

3.5 In assessing the robustness of Revenue Budgets, the achievability of savings / reductions and income It is expected that the key risks remaining will be:

- Changes to staffing including equal pay as the Council has yet to conclude its equal pay arrangements.

- The ongoing impact of the economic downturn including increasing demand for services, reducing grant funding and reducing income from charges.
- The confirmation of Government grants, of which a number remain currently unknown.
- The actual delivery of the approved savings and efficiencies and, in particular those relating to Remodelling the Council, Social Services and commissioning/procurement.
- Changes to the Capital Programme, to achieve the policy objective of eliminating Prudential Borrowing;
- The delivery within budget of key housing, schools and regeneration capital schemes.
- The possibility of legal challenge including judicial review
- On-going review of the risks relating to Council tax and business rates collection levels and appeals as the new schemes start to have an effect.
- On-going management of demand from an increasingly older population.

3.6 These assumptions and potential changing circumstances, including the potential changes in respect of social care provision and funding, will require the forecasts for future years to be reviewed early each financial year. This will lead to the identification of options for consultation and to more detailed budgets being prepared for the next financial year, and the medium term, during the Autumn of each financial year.

### **ROBUSTNESS OF THE CAPITAL PROGRAMME**

3.7 The agreed Capital Programme includes projects costed at current year prices with many subject to a subsequent tender process which lead to variance in the final cost. In some areas, the design brief may not yet be finalised, again giving rise to potential price variance. This is a known risk and can be managed through phasing or reduction in specification.

3.8 In assessing the robustness of the Capital Programme the risk of being unable to fund variations outside of the Programme is minimal mainly due to the phasing of projects. If necessary, the Council can choose to freeze parts of the Programme throughout the year to ensure spend is kept within the agreed budget.

3.9 These are the main risks:-

- The ability to deliver the Programme within the agreed timescales. Slippage from 2013/14 is fully funded, as is any re-profiling of schemes, but this will increase pressure on the Council to deliver the anticipated 2014/15 Programme.
- The future Programme includes new starts based on the availability of resources. The Council has a number of significant asset disposals

planned over the next 2-3 years and in today's climate, the capital receipts may be higher / lower than expected, which will have to be managed.

- The lack of capacity to manage large schemes as well as the on-going risk that there are insufficient capital receipts to fund future schemes alongside a reduced ability to fund capital financing from a constrained revenue budget.

## **ADEQUACY OF THE GENERAL FUND BALANCES AND RESERVES**

- 3.10 Cabinet on 29 November 2012 agreed to a different approach to determining the level of General Fund balances and reserves. This recommended a locally determined approach based upon an assessment of the financial risks that the Council may face in the future. The Level Of General Fund Balances for 2014/15 is referred to in the main report.

## **4.0 RESOURCE IMPLICATIONS**

- 4.1 In the Future Financial Position report to Cabinet on 10 December 2013 the Budget Projections 2014/17 indicated a shortfall between spend and resources of £83 million.

**Table 1 : Summary of the Budget Funding Gap**

Funding Gap	2014/15	2015/16	2016/17	Total
	£m	£m	£m	£m
Forecast Expenditure (including demographic changes)	300.3	288.1	275.1	863.5
Forecast income (including reduced grants)	272.8	257.4	250.0	780.2
Forecast Funding Gap	27.5	30.7	25.1	83.3

- 4.2 Cabinet agreed savings options totalling £27.5 million for 2014/15 on 10 December 2013 which were agreed by Council on 16 December 2013. These included a Council Tax rise of 2% from April 2014 and additional funding to the Council Tax Support Scheme as a consequence of that increase which were subject to further consideration by Cabinet once the Local Government Finance Settlement was received.
- 4.3 Since the December Cabinet meeting new information has been received about the Finance Settlement, Council Tax Freeze Grant and Council Tax setting arrangements. The proposals in the main body of the Cabinet report reflect a revised position, where necessary to ensure best use of public funds and a Budget set within the constraints of central government parameters.

## **5.0 RECOMMENDATIONS**

- 5.1 That the Statement of the Chief Finance Officer be noted.

## ANALYSIS OF ROBUSTNESS OF REVENUE ESTIMATES

Budget Assumption	Financial Standing and Management
1. The treatment of growth pressures	<p>Two major demand factors affect the 2014/17 budgets:-</p> <ul style="list-style-type: none"> <li>• 2012/13 budget pressures continued into 2013/14 and future years. A number of pressures identified through the 2012/13 budget monitoring including bad budgets arising from the failure to address recurring overspends.</li> <li>• Demographic demand pressures have been identified within Social Care - the elderly, children and the vulnerable.</li> </ul> <p>The 2014/15 Budget has been based upon 2013/14 budget monitoring reports and projections made by Managers of demand in future years.</p>
2. The treatment of inflation and interest rates.	<p>Pay – 1% has been provided in the 2014/15 Budget and future years for pay awards for staff. The overall planning totals have provided for an estimate for the implementation of equal pay.</p> <p>Pensions – Employer rates fully reflect the most recent actuarial review which took place in 2013.</p> <p>Price inflation is only been provided on contractual arrangements at the rate stated in the relevant agreement. Price inflation has also been applied to utility budgets in 2013/14 and 2014/15.</p>
3. Surplus cash balances (income, capital, receipts and grants)	<p>At any time the Council will have a number of positive cash income streams, such as capital receipts and government grants, etc. These will be invested as part of cash flow management activities undertaken by Treasury Management. This investment income supports the revenue budget for 2014/15.</p> <p>Cash investments can be liquidated at short notice and are available at any point in time to meet the Council's day-to-day requirements for cash funding.</p>
4 The treatment of income	<p>Changes to fees and charges have been presented as individual budget options and have generally been reviewed in light of prevailing inflation.</p> <p>In 2013/14 adjustments of £4 million were made to reduce unrealistic / undeliverable income targets.</p>
5. The treatment of efficiency savings / productivity gains.	<p>All Managers have a responsibility to ensure the efficient delivery of services and, when savings are proposed, they are realistic in terms of the level and the timing. Should these vary due to unforeseen events management action or policy actions within the relevant Directorates, or corporately, will be implemented.</p>
6. The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments	<p>The sharing of risk is in accordance with the principle of the risks being borne by the party best placed to manage that risk. Inherent risks include any guarantee or variation of service throughput (service volumes). If risks materialise the expectation is that such an eventuality will be considered in future years' budgets and General Fund balances restored to at least the minimum prudent level.</p> <p>Responsibility for Public Health transferred to the Council from 1 April 2013. For 2014/15 funding has been provided by the Government in the form of a specific grant to cover the costs.</p> <p>From 1 April 2013 the Council had responsibility for a Local Council Tax Support Scheme and a Local Welfare Assistance Scheme. Additionally Government funding changes gave the Council a financial incentive /</p>

<b>Budget Assumption</b>	<b>Financial Standing and Management</b>
	<p>pressure in relation to Business Rates. These placed additional risks upon the Council which have been assessed in the level of General Fund balances.</p> <p>The savings proposals for 2014/15 onwards include significant savings in respect of Remodelling The Council and the development of Shared Services. The risks have been assessed in the level of General Fund balances.</p>
7. The availability of other funds to deal with major contingencies	<p>The minimum level of reserves assumes that management and policy actions will be taken to address major contingencies. Should these be insufficient, the minimum level of reserves may have to be used temporarily but restored to at least their minimum prudent level or the optimal level through future budgets. This risk based approach is set out in a separate report on General Fund balances.</p>
8. The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates etc)	<p>The Council acts to manage its borrowing prudently and in accordance with statutory guidance regarding affordability and sustainability with regard to debt expenses incurred in its revenue account. This is achieved through the Treasury Management Strategy and Investment Policy approved by Council each year.</p> <p>The level of borrowing is restrained through reducing the need for unsupported borrowing so the Capital Programme seeks to minimise new borrowing. The additional costs of financing this debt are built into the 2014/15 budget and future Medium Term Financial Strategy assumptions and are contained within the overall parameters set by the Council for prudential borrowing,</p> <p>The assumed Council Tax collection rate for 2014/15 onwards is 96.75% and judged to be achievable. This reflects the collection resulting from the Local Council Tax Support scheme and changes to the Council Tax Discounts and exemptions effective from April 2013. Legislation requires that any Collection Fund deficit be corrected through the Council Tax in the next year. There is no surplus to be distributed in 2014/15.</p>
9. The authority's track record in budget and financial management.	<p>In 2012/13 the projected General Fund overspend of £17 million reported at the end of Month 3 lead to a number of actions including a spending freeze and the release of 'one-off' sums from reserves and provisions. The final position was an overspend of £4.7 million. Whilst the underlying overspends were largely addressed in the 2013/14 Budget funding from balances was required in 2013/14 order to address the shortfalls in Adults and Children's Services.</p> <p>Throughout 2013/14 the monthly Financial Monitoring Report has been projecting an underspend.</p> <p>Ultimately, financial performance relies on all budget managers actively managing their budgets and complying with financial regulations, including not committing expenditure if there is no budget provision available.</p>
10. The authority's capacity to manage in-year budget pressures	<p>In 2012/13 actions were put in place to better manager in-year pressures. These included improvements to the financial monitoring system, the frequency of reporting and the challenge process. The monitoring reports identifying an overall underspend during the year. The preparation for the 2014/15 Budget involved greater rigour and challenge as well as involvement from those delivering the services and the savings. This enabled earlier decisions, December 2013, to be taken in respect of Budget savings for 2014/15 and beyond.</p>

<b>Budget Assumption</b>	<b>Financial Standing and Management</b>
	The ability to manage in-year pressures has been recognised in the local approach in reflecting risk in determining the appropriate level of General Fund balances and Reserves.
11. The strength of the financial information and reporting arrangements.	The financial monitoring arrangements were improved in 2012/13 and built upon in 2013/14 with a comprehensive monthly report (per 9) The draft Medium Term Financial Strategy has been improved and will further strengthen the basis of reporting. Appendices to the Budget report will show the budget over the three years 2014/17 and a detailed Budget Book and Forecasts will be published in March.
12. The authority's virement and end of year procedures in relation to budget under / overspends at authority and directorate level.	The Council's Financial Regulations and Contract Procedure Rules were reviewed and updated in 2013. The Budget virement policy includes disciplines to ensure management and policy actions are also considered in relation to overspending budgets. A section on Budget carry-forwards has also been incorporated. Virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of General Fund reserves.
13. The adequacy of the authority's insurance arrangements to cover major unforeseen risks.	The Council's insurance arrangements are a balance between external insurance premiums and internal funds to "self-insure" some areas. Premiums and self-funds are reactive to external perceptions of the risks faced by the Council which includes both risks that are generic to all organisations and those specific to the authority. The level of the Insurance Fund Provisions and Reserves are regularly reviewed and is judged to be adequate in that estimated outstanding liabilities are covered by the balances in the Provisions and Reserves.

### **ANALYSIS OF ROBUSTNESS OF CAPITAL ESTIMATES**

<b>Budget Assumption</b>	<b>Financial Standing and Management</b>
1. Estimates of the level and timing of capital receipts.	<p>The Council policy is to fund its Capital Programme over the three year Medium Term Financial Strategy cycle, from three sources:</p> <ul style="list-style-type: none"> <li>• Borrowing (with provision made in the Revenue Estimates),</li> <li>• Grants, Government and Other;</li> <li>• Capital Receipts.</li> </ul> <p>In respect of borrowing the objective is to minimise/eliminate:</p> <ul style="list-style-type: none"> <li>▪ Prudential Borrowing, and</li> <li>▪ Revenue contributions,</li> </ul> <p>unless the proposed spending can generate its own funding. Capital Receipts are managed through an officer group working to income generation targets as part of delivering the 2014/17 Capital Programme. Capital Receipts are invested as part of the Council's Treasury Management activity. The investment income continues to be used to help to support the Council's revenue expenditure.</p>