

METROPOLITAN BOROUGH OF WIRRAL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

21 JUNE 2006

REPORT OF THE DIRECTOR OF FINANCE

PROJECTED BUDGET 2007-08

1. EXECUTIVE SUMMARY

1.1. This report presents the projected budget for 2007-08. It will be updated regularly throughout the year.

2. BUDGET 2006-07

2.1. The summary budget for 2006-07 as agreed by the Council on 1 March 2006 is as follows:-

	£m
Base Budget	245.5
Contribution to Balances	<u>3.9</u>
	249.4
Resources	
Formula Grant	130.9
Council Tax	115.2
Collection Fund	1.4
One Off Specific Grants	<u>1.9</u>
	249.4

3. BACKGROUND TO THE BUDGET 2007-08

3.1. On 31 January 2006 the Office of the Deputy Prime Minister (ODPM) issued the Local Government Finance Settlement for 2006-07 including indicative figures for 2007-08, as part of the move to three year budgets. The first three year settlement only covers two years to allow the local government settlement to be brought into line with the Comprehensive Spending Review due in 2007 and covering the period from 2008 to 2011.

3.2. The settlement is only indicative which means that the actual figures for 2007-08 could change for any of the following reasons:-

- (a) population changes
- (b) other data changes
- (c) changes in service responsibility
- (d) changes between Formula Grant and specific grants
- (e) changes to allocation of specific grants

4. VARIATIONS IDENTIFIED FOR 2007-08

- 4.1. **Inflation** The Cabinet agreed on 30 March 2005 that no general provision for price inflation would be made for 2006-08. Provision is included for both pay and income at 3% for 2007-08.
- 4.2. **Local Pay Review** As part of the 2004 pay award it was agreed that all local authorities would implement the local pay review, originally agreed as part of the 1996 pay award, by 2007. A sum of £1.5m is provided in the 2006-07 budget and it is estimated that an additional £3m will be required in 2007-08.
- 4.3. **Capital Financing** I am assuming a similar level of capital expenditure as in 2006-07. This will cost an additional £1.8m in capital financing.
- 4.4. **Highways Improvements** Reinstatement in 2007-08 of the budget of £3.0m for highways maintenance which was capitalised in 2006-07.
- 4.5. **Waste Disposal** The Waste Disposal levy is expected to increase by £1.3m in 2007-08. This assumes that the levy will be calculated on a tonnage basis for 2007-08 and that the Waste Disposal Authority PFI scheme is proceeding. The financial implications of the PFI scheme were agreed by the Cabinet on 25 April 2006.
- 4.6. **Waste Collection** Cabinet on 8 May 2006 accepted a tender for waste collection, recycling and street cleansing which will require an additional £3.6m in 2007-08.
- 4.7. **Pension Fund Revaluation** The effect of the actuarial revaluation of the Pension Fund in 2004 is being phased over three years resulting in an increase in the employer's contribution of £1.3m in 2007-08.
- 4.8. **Merseytravel** The levy increased by £0.8m in 2006-07. A similar increase is included for 2007-08.
- 4.9. **Children and Young People** Cabinet on 1 December 2005 agreed to growth of £0.3m in the cost of children's residential care for 2007-08.
- 4.10. **Adult Social Services** Cabinet on 1 December 2005 agreed to growth of £4.7m in the cost of Adult Social Services for 2007-08.
- 4.11. **Prudential Borrowing** Prudential borrowing undertaken in 2005-06 and 2006-07 should produce the following revenue savings in 2007-08:-

Adult Social Services	£0.3m
Children and Young People	£0.2m
Car Parking	£0.2m
Cultural Services	£0.2m
Technical Services Energy	£0.1m

4.12. **One Business** Cabinet on 22 September 2005 agreed to savings of £0.3m for 2007-08.

4.13. **Other Unavoidable Growth** A number of relatively minor items of unavoidable growth will arise

5. **BALANCES**

5.1. Balances are currently maintained at £4m but an undertaking has been given to the District Auditor to increase to £4.5m for 2007-08 and £5m for 2008-09.

5.2. The waste collection tender accepted by the Cabinet on 8 May 2006 will require an additional £2.4m in 2006-07 to be funded from General Fund Balances. This will need to be reinstated in the balances for 2007-08.

6. **FORMULA GRANT**

6.1. The indicative Formula Grant for 2007-08 is £133.8m. The final figure could be amended by any of the changes outlined in paragraph 3.2.

6.2. In particular, the Department for Communities and Local Government (DCLG) is currently reviewing the distribution of Supporting People Grant as reported to the Cabinet on 9 February 2006. This grant is £10.5m for 2006-07. One option under consideration is for the Supporting People Grant to become part of the Formula Grant.

7. **SAVINGS**

7.1. The gap between projected expenditure and anticipated resources will need to be bridged by a combination of savings and/or increased Council Tax.

7.2. The Authority has embarked on a three year programme of service re-engineering from 2004 to 2007. No provision has been made for this programme to continue beyond 2006-07. The programme has produced gross savings of £3.7m per annum with £1.2m of this being available as a Service Re-Engineering Investment Budget to deliver future savings. The One Business project forms part of this programme and additional savings of £0.3m have been included from One Business for 2007-08.

8. **COUNCIL TAX**

8.1. The DCLG has indicated that any local authority increasing its Council Tax by over 5% would be liable for capping. Cabinet on 25 May 2006 agreed that the Council would not exceed the indicative Council Tax cap for 2007-08.

9. FINANCIAL IMPLICATIONS

- 9.1. The indicative budget for 2007-08 is compiled from the base budget for 2006-07 approved by Council on 1 March 2006, the Medium Term Financial Plan 2006-09 agreed by the Cabinet on 3 August 2005, and updated for the issues outlined in this report. The indicative budget is shown in Appendix 1 attached.

10. STAFFING IMPLICATIONS

- 10.1. There are none arising from this report.

11. EQUAL OPPORTUNITIES IMPLICATIONS

- 11.1. There are none arising from this report.

12. HUMAN RIGHTS IMPLICATIONS

- 12.1. There are none arising from this report.

13. LOCAL AGENDA 21 IMPLICATIONS

- 13.1. There are none arising from this report.

14. COMMUNITY SAFETY IMPLICATIONS

- 14.1. There are none arising from this report.

15. PLANNING IMPLICATIONS

- 15.1. There are none arising from this report.

16. LOCAL MEMBER SUPPORT IMPLICATIONS

- 16.1. There are none arising from this report.

17. BACKGROUND PAPERS

- 17.1. Comprehensive Spending Review – Treasury – July 2004
Medium Term Financial Plan 2006-09
Formula Grant Settlement 2006-07 – ODPM – January 2006
Estimates 2006-07

18. RECOMMENDATION

- 18.1. That savings be identified and reported to the Cabinet.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/108/06

APPENDIX 1

	Projected Budget 2007-08 £m
Base Budget	247.2
Less Bridging Finance	<u>- 1.7</u>
	245.5
Pay Inflation	4.0
Income Inflation	- 1.8
Local Pay Review	3.0
Capital Financing	1.8
Highways Improvements	3.0
Waste Disposal	1.3
Waste Collection	3.6
Pension Fund Revaluation	1.3
Merseytravel	0.8
Adult Social Services	4.7
Children and Young People	0.3
Unavoidable Growth	1.0
Prudential Borrowing	- 1.0
One Business	<u>- 0.3</u>
	267.2
Balances	<u>2.9</u>
	270.1
Resources	
Formula Grant	133.8
Council Tax	<u>115.2</u>
	249.0