

METROPOLITAN BOROUGH OF WIRRAL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

6 DECEMBER 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 is 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. It was originally estimated that £4.5m would be required in 2007-08. Progress made in other local authorities would indicate that the total requirement is now likely to exceed £4.5m as settlements have tended to increase over time. It is not yet possible to provide a more accurate assessment for Wirral.

4.3. **Capital Financing** I am assuming a similar level of capital expenditure as in 2006-07. This will cost an additional £2.1m in capital financing.

4.4. **Waste Disposal** The Waste Disposal levy is expected to increase by £1.8m 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 proceeds. The financial implications of the PFI scheme were initially agreed by the Cabinet on 25 April 2006 and revised on 21 September 2006.

4.5. **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.

4.6. **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.

4.7. **Merseytravel** The levy is expected to increase by 4% in 2007-08 at a cost to Wirral of £1m.

4.8. **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.

4.9. **Adult Social Services** Cabinet on 1 December 2005 agreed to growth of £4.7m in the cost of Adult Social Services for 2007-08.

4.10. **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

A report on the capital programme for 2007-2010 incorporating any new prudential borrowing schemes should be presented to the Cabinet on 14 December 2006.

4.11. **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.

5.3. The implementation of the local pay review was originally expected to cost £1.5m in 2006-07. This provision will not now be required until 2007-08.

5.4. The Insurance Fund requirement for 2006-07 has been reduced by £0.5m.

5.5. Cabinet on 15 November 2006 agreed the Insurance Fund budget for 2007-08 including a contribution of £2m from the Insurance Fund to General Fund Balances.

5.6. There are outstanding debts of £1.9m due from Primary Care Trusts outside of Wirral. If these are not paid during 2006-07 then a bad debt provision for this amount will be required on closing the accounts for 2006-07.

5.7. Balances	£m
Balances at 1 April 2006	4.0
Waste Collection/Recycling/Street Cleansing.	- 2.4
Equal Pay/Job Evaluation	1.5
Insurance Fund Requirement	0.5
Insurance Fund Contribution	<u>2.0</u>
Projected Balances	5.6

6. GRANTS

- 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. The Department for Communities and Local Government (DCLG) has stated that the population adjustment arising from the recalculation of the Census for 2001 will be implemented again for 2007-08 which should increase the Formula Grant by £0.4m
- 6.3. The two largest specific grants are the Dedicated Schools Grant (DSG) and the Benefits Subsidy. DSG is likely to be increased by at least the rate of inflation but as this grant is ring fenced for schools then the Schools Budget should be increased by the amount of the increase in DSG. This report does not reflect either the possible increase in DSG or the similar increase in the Schools Budget.
- 6.4. The Department for Work and Pensions (DWP) continues to increase the element of the Benefits Subsidy which is awarded on the basis of performance. In recent years Wirral has been able to maintain an increase in Benefits Subsidy in line with the increase in expenditure, which has not been the case in many local authorities. I am assuming that as performance in service delivery has continued to improve then the level of Benefits Subsidy will be maintained again.

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. Cabinet on 23 August 2006 agreed to continue this programme for 2007-08. 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. The agreed savings from the One Business project for 2007-08 are £0.3m. Additional work is being undertaken on whether this can be increased. A further report should be presented to the Cabinet on 14 December 2006 on how these savings will be delivered in 2007-08.
- 7.3. Cabinet on 15 November 2006 agreed to a further net increase of £1m in the savings to be found from better procurement in 2007-08. This will be added to the Service Re-Engineering savings target.
- 7.4. Cabinet on 15 November 2006 agreed the Insurance Fund budget for 2007-08 with a reduced requirement of £0.7m of which £0.4m relates to the General Fund.

- 7.5. Cabinet on 19 October 2006 agreed a package of savings in Adult Social Services totalling £0.8m. Cabinet on 15 November 2006 agreed to an additional net saving of £0.4m in Adult Social Services
- 7.6. Cabinet on 15 November 2006 agreed a number of minor savings totalling £0.3m.

8. COUNCIL TAX

- 8.1. The Department for Communities and Local Government (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 projected budget for 2007-08 is compiled from the base budget for 2006-07 approved by Council on 1 March 2006, the Medium Term Financial Strategy 2007-2010 agreed by the Cabinet on 23 August 2006, and updated for the issues outlined in this report. The projected 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 Strategy 2007-2010.
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/296/06

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	2.1
Waste Disposal	1.8
Waste Collection	3.6
Pension Fund Revaluation	1.3
Merseytravel	1.0
Adult Social Services	4.7
Children and Young People	0.3
Unavoidable Growth	1.0
Prudential Borrowing	- 1.0
Insurance Fund	- 0.4
Adult Social Services	- 1.2
Service Re-engineering	- 3.5
Other Savings	<u>- 0.3</u>
	260.1
Resources	
Formula Grant	133.8
Population Amendment	0.4
Council Tax	<u>115.2</u>
	249.4