

WIRRAL COUNCIL

FINANCE & BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

17 SEPTEMBER 2007

REPORT OF THE DIRECTOR OF FINANCE

MEDIUM TERM FINANCIAL STRATEGY 2008 / 2011

1. EXECUTIVE SUMMARY

1.1 This report provides an update of the Medium Term Financial Strategy 2007/2010 that was agreed by Cabinet on 23 August 2006. The aim is to give Members a strategic overview of the period 2008/2011 highlighting the significant issues to be considered in conjunction with financial planning and informing future priorities. It was presented to the Cabinet on 6 September 2007.

2. BACKGROUND

2.1 In order to deliver the objectives of the Corporate Plan effective service planning and financial planning are essential requiring strong links between the Corporate Plan, Performance Plan and Medium Term Financial Strategy. This Strategy aims to provide a longer term overview of the financial issues to assist in the allocation of resources to deliver the Council objectives and priorities.

2.2 The three year period is in line with Government plans to move to three year Local Government Finance Settlements and is in accordance with the Performance Plan requirements and timescales for the Local Area Agreement.

3. PROGRESS MADE AT WIRRAL

3.1 The Council agreed its last Medium Term Financial Strategy in August 2006 that covered the period 2007/2010. This document provides an update with the main issues included in the following sections of this report.

3.2 PERFORMANCE MANAGEMENT FRAMEWORK

3.2.1 The Council approach to corporate planning is based upon a hierarchical framework that seeks to integrate national and local priorities into a series of clear objectives.

3.2.2 The planning hierarchy ensures clear links from the Community Strategy, the multi-agency strategy and action plan for the wider local community, through to the Corporate Plan and Performance Plan. These identify the Council objectives with all households informed of actual and planned performance. Departmental Service Plans then identify how each department is responding to ensure that the corporate and community objectives are achieved.

3.2.3 The Corporate Plan is a statement of intent for future actions and it was agreed that it should be used as a framework for informing resource allocation and service delivery. The implications of the actions identified, therefore, form the basis of the Medium Term Financial Strategy.

3.2.4 There are close links between the Service Plans and the budget setting process as the priorities identified in the plans should indicate the resource issues and principles that shape the Council budget. By identifying both current issues and any potential developments / related issues the Plans provide the basis for future revenue and capital budgets.

3.3 REPORTING AND MONITORING

3.3.1 For 2007/08 the report to Cabinet on 24 May 2007 further developed the financial and performance monitoring and planning arrangements. The processes for planning and monitoring performance underpin a cycle of continuous improvement. The planning element provides the framework for the Council to identify its priorities and targets for the next year and beyond, whilst the monitoring element measures progress in relation to meeting the priorities and targets agreed for the current year. Equally the monitoring reports inform the ongoing planning process as it is by monitoring and reviewing performance that information is provided to develop future plans.

3.3.2 ANNUAL REPORTS

The Performance Plan supplements the legal requirements in respect of the annual Statement of Accounts. Both have to be published by 30 June each year. The Plan is an overview of performance for the past year and brings together monitoring and planning into one document. The Statement of Accounts is supported by additional reports reflecting the revenue and capital finances for the year.

3.3.3 MONITORING REPORTS

There are three monitoring reports to be presented to the same Cabinet meetings which summarise the areas of finance, capital and performance. The financial reports are also presented to Finance & Best Value Overview & Scrutiny Committee.

- (a) The financial monitoring report compares spend against the approved budget. Effective financial management ensures resources are used in the manner intended and the relative importance of budgetary control justifies this report to focus upon spend against the approved budget.
- (b) The capital monitoring report summarises progress against the capital programme. Departmental Chief Officers highlight the progress made on the schemes/projects approved as part of the capital programme.

- (c) The performance monitoring report primarily focuses upon service delivery against targets and utilises comparative performance and cost information.

3.4 PLANNING REPORTS

- 3.4.1 The key components of the planning process are service planning and financial planning. The former identifies the delivery of continuously improving services that meet the needs and priorities of the citizens of Wirral and the objectives and targets set inform financial planning. This enables the better alignment of resource requirements with service delivery and ensures that services are provided in the most cost effective and efficient manner.
- 3.4.2 The Corporate Plan sets the overall strategic direction for the Council. It identifies the objectives together with the associated priorities, key actions and targets. The Plan is currently under review as are the links to the various other strategies including Human Resources, IT, Customer Access, Risk Management and Investment including capital and asset management.
- 3.4.3 The Medium Term Financial Strategy considers financial issues at a strategic level. It is used to identify resources to deliver the Corporate Plan and informs the annual budget setting process. The budget has to be agreed by Council by 10 March each year with the projected budgets for subsequent years being regularly updated in reports presented to Cabinet.

3.5 RE-ALLOCATION OF RESOURCES TO PRIORITIES

- 3.5.1 The Council is committed to improving customer services with a change agenda that underpins the delivery of the Customer Access Strategy.
- 3.5.2 In meeting Government targets for delivering value for money and efficiency in local services the key requirement is for resources to be released into front-line services. The Council is committed to improving its priority areas as well as keeping Council Tax at affordable levels. Service Re-engineering and partnership working remain key to identifying resources for re-allocation.
- 3.5.3 When setting the Council Tax for 2007/08 the agreed increase was 4.1% which was below the maximum level set by the Government of 5%. This delivered the priorities of improving customer services and ensuring value for money; user involvement and community engagement; children and young people's services; streetscene and waste and community safety.

3.6 CONCLUSION

- 3.6.1 Wirral continues to progress performance management and service planning and to re-direct resources towards meeting the identified objectives. In terms of Council Tax and value for money the Wirral Band D Tax, which was the fourth highest amongst the 354 Metropolitan, London, Unitary and District Authorities in 2000/01 is now rated 225th.

4. MEDIUM TERM FINANCIAL STRATEGY 2008 / 2011

4.1 The Appendix contains the Strategy for 2008/2011 and encompasses:-

- National issues including the Comprehensive Spending Review and areas presently under consideration by the Government.
- At a local level the agreed Council objectives and priorities are stated, progress reviewed and key issues during the period highlighted.
- Issues identified from Departmental Service Plans have been taken into consideration. Those where a financial estimate can be made have been included, although given the level of assumptions for any projection of this type, only significant items have been included.
- The aim of this Strategy is not to give provisional budget figures, but rather to provide Members with a framework with which to support planning considerations for the medium term.

5. FINANCIAL AND STAFFING IMPLICATIONS

5.1 The financial implications are within the Financial Strategy.

6. LOCAL MEMBER SUPPORT IMPLICATIONS

6.1 There are no specific implications arising out of this report.

7. LOCAL AGENDA 21 STATEMENT

7.1 The Corporate Plan identifies a number of objectives relating directly to 'protecting and improving the environment.'

8. PLANNING IMPLICATIONS

8.1 There are no specific implications arising out of this report.

9. EQUAL OPPORTUNITIES IMPLICATIONS

9.1 The Corporate Plan identifies a number of objectives relating directly to 'continuously improving services.'

10. COMMUNITY SAFETY IMPLICATIONS

10.1 The Corporate Plan identifies a number of objectives relating directly to 'making Wirral safer.'

11. HUMAN RIGHTS IMPLICATIONS

11.1 There are no specific implications arising out of this report.

12. BACKGROUND PAPERS

12.1 Cabinet report of 23 August 2006 – Medium Term Financial Plan 2007/2010 and Departmental Service Plans were used in the preparation of this report.

13. RECOMMENDATION

- 13.1 That the Medium Term Financial Strategy covering the period 2008/2011 be noted.
- 13.2 That regular updates of the financial projections for the period of the Strategy be reported to Cabinet and to Finance & Best Value Overview & Scrutiny Committee.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/203/07



WIRRAL COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2008/2011

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1.0 EXECUTIVE SUMMARY

1.1 Introduction

The Council operates in an increasingly complex and challenging environment. Future improvements in service delivery require actions from a range of agencies with the Council and partners in the public, private, voluntary and community sectors all having a key role.

Wirral, through its work with the Local Strategic Partnership, continues to develop the Community Strategy and the Corporate Plan. By identifying the priorities that reflect the needs and desires of local people these set out the objectives for the next 3 to 5 years.

The budget statement by the Chancellor of the Exchequer re-affirmed the national priorities. Many of the local priorities are outside of these meaning that difficult decisions are required. Wirral is committed to maximising the use of scarce resources and directing resources towards the priority areas whilst keeping Council Tax at an affordable level, an approach evidenced by recent Council Tax rises and the investment into front-line services through the investment in improved technology.

This Strategy covers the period 2008/2011 and aims to indicate the resource issues and principles that shape the Council budget; identify current issues and consider potential developments / related issues that are likely to provide the basis for future revenue and capital budgets.

1.2 Statement of Principles

- All spending plans will be subjected to continuous review to ensure that they are aligned with need and promote value for money and service improvement;
- Resources will be redirected towards meeting the Council priorities and support changes in service delivery;
- To ensure greater consistency in the budget process all submissions for increased expenditure are to be fully evidenced and aligned with the Council priorities;
- The Council will continue to maximise the availability of funding from other sources eg Government grants, other income and partnership funding where appropriate;
- Chief Officers are responsible for submitting Departmental Service Plans that incorporate any financial issues to inform the Financial Strategy;
- Risk Management is key to Council management and this Strategy includes an overall risk assessment together with controls to ensure any impact is controlled;
- This Medium Term Financial Strategy will cover all services including revenue and capital expenditure to provide a framework for the Annual Budget, and will be reviewed and updated on an annual basis.

2.0 NATIONAL ISSUES

2.1 Local Government Finance Settlement

Government began the move towards three year budgets for local authorities with the first settlement (allocation of grant to local authorities) covering 2006/07 and 2007/08. Decisions on future years will follow the Comprehensive Spending Review 2007 (CSR).

The grant allocation comprises a series of elements based upon needs and resources that is adjusted to ensure that all authorities receive a minimum level of increase each year. It is available to support all Council services.

2.2 Comprehensive Spending Review 2007

The Chancellor of the Exchequer presented his Budget Statement on 21 March 2007 and set out plans for the Comprehensive Spending Review. Overall growth in public spending is projected at 1.9% with a greater increase in spending on education reducing the sum available for other areas. The efficiency savings target, presently 2.5% per year of which 1.25% is cash releasing, will rise to 3% and be all cash releasing.

At this stage the outcome of the CSR is expected in October 2007 and should lead to Finance Settlements for 2008/2011. Only limited guidance is available and so until decisions are announced then there is a degree of estimation about future projections.

The Government is using the White Paper and the findings of the Lyons Inquiry to support the CSR 2007. It is expected to include proposals for a supplementary Business Rate, a reformed Local Authority Business Growth Incentive scheme and alternative funding proposals for regional infrastructure projects.

2.3 Other influences

White Paper "Strong and Prosperous Communities" 2006

The White Paper built upon the early conclusions from the Lyons Inquiry promoting greater devolution to local government with formal recognition of local government's role in place-shaping and offering strategic leadership. The Local Area Agreement is seen as a means of achieving this with reductions in the performance bureaucracy to an approach based upon an assessment of risk.

Lyons Inquiry

The final report issued in March 2007 re-affirmed local government as being an essential part of the system of government. Sir Michael Lyons called for more joint working with Government allowing more room for local discretion giving local authorities a greater role in their local area. He also proposed increases to local government revenue sources through a series of additional charges and changes through a revaluation of properties for Council Tax purposes and changes to the tax bands.

3.0 LOCAL ISSUES

3.1 Facts and Figures

The Borough is one of contrast and diversity in both its physical and social demographics comprising rural areas and townships in a peninsula of 60 square miles.

In mid-2005 the total population was 313,000, but with a relatively high ageing population and a relatively low proportion of people in their twenties and thirties compared to England and Wales. Approximately 3,400 are non-white people compared to the 9% non-white population in England and Wales.

There are some extremely deprived areas, mainly in the east where 75% of the population live. Wirral is ranked as the 48th most deprived of the 354 districts in the country but there are areas of affluence, further illustrating the diversity in the Borough.

The availability of employment is lower than the national average with a significant number travelling outside of the Borough for jobs. In January 2007 the unemployment rate was below the Merseyside average.

3.2 The Wirral priorities

The approach to corporate planning integrates national and local priorities into a series of objectives, which align with the broader aims for Wirral set out by the Local Strategic Partnership within the Community Strategy.

The current Corporate Plan contains nine corporate objectives to improve the quality of life for all those who live and work in the Borough. They cover the breadth of activities and provide a framework for delivering and managing services :--

- Protecting and improving our environment,
- Promoting and supporting the economic regeneration of Wirral,
- Providing educational and cultural opportunities for all,
- Improving the health of Wirral people,
- Making Wirral safer,
- Meeting the housing needs of Wirral,
- Supporting and protecting vulnerable people,
- Improving transport,
- Continuously improving our services.

From these objectives key priority areas have been identified for co-ordinated action:-
Improving customer services and ensuring value for money,
User involvement and community engagement,
Children and young people's services,
Streetscene and waste,
Community safety.

3.3 Local Area Agreement (LAA)

The LAA seeks to increase the efficiency and effectiveness of local agencies in delivering public services. The Council acts as the accountable body working with Government Departments and local health organisations.

3.4 Allocation of resources to priorities

The agreed Council Tax increase for 2007/08 was 4.1% showing the Council's commitment to continuously improving services whilst keeping Council Tax affordable through the securing of value for money. Wirral's Council Tax the 4th highest in the country in 2000/01 and has now dropped to 225th highest.

In improving services for the most vulnerable in the community, children and the elderly, there is investment in Adult and Children Services. By responding to the pressures faced, particularly for children, earlier intervention is essential to success, with the Children and Young People Plan key in delivering the Every Child Matters agenda.

For streetscene and waste the aim for improved waste and recycling collections saw a new contract in 2006 supported by the new Material Recycling Facility at Bidston.

Actions over climate change and sustainability have seen investment in energy conservation measures that also reduce the burden of future energy price rises, primarily focussed on leisure centres and a cyclical programme for street lighting.

Increasing community involvement has been achieved through Area Forums and Parliaments for younger and older people, improving customer access to Council services with the providing of effective and value for money services being key. These aims are supported by setting and delivering challenging efficiency targets.

Following consultation with local communities there is the planned regeneration of areas across Wirral including NewHeartlands, New Brighton, Hoylake / West Kirby and the docklands. This involves working with partners through the Investment Strategy and with Wirral Partnership Homes tackling issues in the housing sector.

3.5 Comprehensive Performance Assessment (CPA)

The Audit Commission provides an external assessment of the Council against a national framework that considers the quality of services, the use of resources and the overall ability of the Council to improve and provide better services in the future.

In 2006 Wirral was assessed as 'improving well'. This was based upon a score of 2 for the overall Council and the 2006 judgement on the Use of Resources. In terms of the more specific service assessments these all scored at least 3 out of 4.

From 2009 the CPA is to be replaced by the Comprehensive Area Assessment. It is expected to reflect the place shaping role of authorities by focussing on local issues and will include other local service providers.

4.0 CAPITAL PLAN

4.1 Introduction

The Investment Strategy for Wirral sees the Council and our partners committed to encouraging focused and dynamic development while maintaining and enhancing Wirral's unique character and high quality of life. The Strategy will ensure Wirral continues to be a prosperous and sustainable place to invest in, live, work and visit.

Underpinning this are the Full Employment Strategy, which provides a framework for improving employment rates, and an Enterprise Strategy, the plan for increasing self-employment and business starts. This incorporates a full employment target of 76% by 2012, presently 71%, and increasing employment opportunities and supporting sustainable growth.

Having benefited substantially from Merseyside Objective 1 Programme funding to pump prime regeneration the Council will increasingly work with the private sector to maximise resources in the continued regeneration of Wirral.

The Capital Strategy identifies the links with the Corporate Plan and informs the programme of investment. With resources insufficient to meet all of the aspirations the programme is prioritised based upon criteria that take account of the priorities.

4.2 Capital Programme

The Capital Programme for 2007/10 was agreed in March 2007 with that for 2008/11 to be reviewed and submitted towards the end of 2007. Any schemes considered for approval are subject to a Business Case submission and evaluated against the agreed priorities of the Council. At this stage indicative figures have been included in the programme and financing implications reflected in the revenue plan.

Improving services, and the facilities available for use by the people of Wirral, include major works at the Oval Sports Centre and completion of the restoration of Birkenhead Park. The 'Invest-To-Save' projects include revisions to residential care arrangements and the continuing energy efficiency programme for buildings and street lighting.

Within Children and Young People the major spending areas are the new school for Woodchurch under the Government Building Schools for the Future programme, the schools modernisation agenda and the development of Childrens Centres. Resources are also allocated for smaller school projects. Approximately 70% of the programme is funded by Government grants.

In respect of streetscene services the Local Transport Plan details the Council's programme in respect of maintaining local transport routes and improving community safety. Whilst Wirral is the waste collection authority the Merseyside Waste Disposal Authority provides the disposal facilities and has invested in the facilities at Bidston with further initiatives planned as part of the Merseyside Waste Management Strategy. The costs of these initiatives are met by the constituent authorities through the Waste Disposal Authority levy.

Under regeneration and housing the NewHeartlands Market Renewal Initiative is a long term project, primarily focussed upon housing, to regenerate the east side of Wirral. NewHeartlands encompasses parts of Sefton, Liverpool and Wirral and is again Government grant funded. This funding is subject to regular review by Government and future allocations depend upon progress being achieved.

Objective	2008/09 £000	2009/10 £000	2010/11 £000
Improving Services	1,700	1,700	2,000
Children & Young People	22,800	13,000	10,000
Streetscene & Waste	9,600	9,500	10,000
Regeneration	20,200	19,800	19,000
Total programme	54,300	44,000	41,000

4.3 Resources

Under the Prudential Code for Capital Finance for Local Authorities spend on capital investment can be incurred as long as the spending plans are affordable, prudent and sustainable. This is measured by a series of indicators that are integral to the Treasury Management policy of which the key is the revenue cost, and assumptions on the level of borrowing have been reflected in the revenue plan.

Government Grants are specific to schemes and allocated in accordance with the terms of the grant approval, primarily within the areas of educational development and regeneration, the latter includes NewHeartlands, as well as employment / regeneration projects. Opportunities for other forms of assistance such as the Lottery Fund for the works to Birkenhead Park are explored.

The unpredictable nature of the timing of capital receipts means that they are used to provide flexibility in funding the programme. The level of receipts is based upon the likely sales of assets as identified under the Asset Management Plan and include former school sites and the agreement with Wirral Partnership Homes for the sharing of receipts from sales of former Council houses under the Right-to-Buy legislation.

The Capital Programme and available resources are agreed each December with the 2008/2011 programme to be agreed in December 2007.

Resource	2008/09 £000	2009/10 £000	2010/11 £000
Borrowing	20,700	19,200	19,000
Government Grants	29,600	20,800	18,000
Capital Receipts	4,000	4,000	4,000
Total resources	54,300	44,000	41,000

5.0 REVENUE PLAN

5.1 General

As with capital there will never be sufficient resources to meet all of our service delivery ambitions. Recognising this the Corporate Plan identifies the main priorities to direct, and provide a focus for, the allocation of Council resources.

The Revenue Plan has been prepared at a strategic level and is not intended to replace the detailed budget process that will continue within the existing time-scales. Accordingly assumptions have been made regarding future Government funding with projections based upon the contents of the other related plans.

Throughout the year reports are provided to Members on the projected budget for the period of the Comprehensive Spending Review with these providing a regular update on the major issues identified in the Medium Term Financial Strategy.

5.2 Government Plans

The speech of the Chancellor of the Exchequer on the Comprehensive Spending Review 2007 targeted new resources towards Government priorities. Whilst meeting Government objectives the Council must also have regard to its other statutory duties.

The Local Government Finance Settlement 2007/08 saw Wirral receive the minimum level of increase in Formula Grant of 2.7%. The indications are that increases in public sector spending will be around 1.9% per year and, at this stage, a similar level has been assumed for Wirral. There will also be an additional amount to reflect the extension of free bus travel for pensioners throughout the country with Wirral expecting £1.4 million. The future of the Local Authority Business Growth Incentive grant has still to be decided. Wirral benefited by £1.3 million in 2006/07.

The Government has again re-affirmed that Council Tax increases are expected to be below 5% for future years. For indicative purposes the Plan assumes Council Tax rises of 4% per year.

The Gershon review set a target for authorities to achieve annual efficiency gains with the Wirral share of this assessed at £8.51 million per year based upon 2.5% per year with 1.25% cash savings. The Government has stated that from 2008/09 the targets will be 3%, all cash, and reflected in any Settlement figures.

5.3 Influences

Securing investment and financing

The Council continues to look at all options for securing investment into the local area using the Private Finance Initiative for improving secondary schools and the transfer of the housing stock to address the needs of Council dwellings. There have also been successful bids for Government funding, including the Lottery Fund, and the ongoing NewHeartlands programme.

The timing of the Government financial support for the schools PFI scheme is such that the grant received in the early years is greater than the actual spend and these sums are held in reserve to meet the annual commitments. As time progresses there is an increasing responsibility upon the Council to meet the financing costs. In 2010/11 the funding gap is £1.5 million when the reserve is fully used.

Support for capital investment is assumed to continue at existing levels and includes the capitalisation of highways expenditure and Government consent to capitalise any equal pay back pay awards. Invest-to-save schemes will be incorporated as they are developed with those presently included for care services and energy efficiency.

Council Balances

The Local Government Act 2003 and CIPFA consider that the Director of Finance should recommend the level of general balance. This is maintained at an appropriate level having regard to the financial management and control framework taking into account risk management and the risks identified in the budget process. The balance should be set at 2% of the net revenue budget and will rise in stages to £5 million by 2008/09. This is in line with recommendations from the Audit Commission.

Amounts are also set-aside for specific purposes being held either in reserves or provisions in accordance with the appropriate accounting practice. These are reviewed at least twice a year to ensure that they are still required for the purpose intended and maintained at adequate levels.

Inflation

Pay awards and price inflation have been assumed at 2% over the next three years whilst income inflation has been included at 3%. A general amount for non-specific growth is included in the projections to fund smaller items of up to £0.2 million resulting from legislative changes,

The increases in the Merseyside Waste Disposal Authority levy are referred to under Streetscene and Waste and the Merseytravel levy is projected to rise by 5% per year.

Human Resources Strategy

Wirral is implementing the local pay review, originally agreed as part of the 1996 pay award, with any decisions to be effective from April 2007. Besides the amounts for back pay within the 2007/08 financial year the sum of £4.5 million per year is available from 2008/09 for meeting the commitments from job evaluation. The work on confirming the actual liability in both areas is expected to conclude in 2007.

Insurance

The Council has been pro-active in risk management and in the treatment and defence of insurance claims. This was again recognised in the annual external assessment of potential liabilities arising from past and predicted claims enabling the amounts set-aside for outstanding claims to again be reduced in 2007. With the various insurance contracts subject to renewal over the forthcoming years this improvement should be reflected in reduced premiums.

Pension Costs

The actuarial revaluation of the Pension Fund in March 2004 resulted in increased Pension Fund contributions being phased in over three years from 2005/06. This produced increases in the employers contribution of £1.3 million per year and the result of the March 2007 revaluation, which is expected in late 2007, is anticipated to result in a similar phased increase.

Time limited funding

The Council has benefited substantially from specific funding be it Objective One, Single Regeneration Budget or Neighbourhood Renewal Fund. Securing investment into the more deprived communities, these resources have been targeted at reducing crime, increasing employment, improving health, road safety, housing and education.

With this time limited funding there is an annual review of the implications should the external support cease. The Council is seeking to minimise the impact of any changes to the Neighbourhood Renewal Fund Programme the present programme ceasing on 31 March 2008.

5.4 Council priority area issues

Improving customer services and ensuring value for money

The Customer Access Strategy is delivered through the 'front-of-house network' of the Call Centre, One Stop Shops and Information Points with this being enhanced in 2007 through the development of the Council web-site. Joint working, including the joint use of facilities with other agencies, sees a co-ordinated approach with work in this area previously recognised with awards for Customer Services.

The Local Public Service Agreement covered the period 2004/2007 and, subject to their successful attainment, resulted in a 'one-off' Performance Reward Grant of about £4 million being paid to the Council.

The modernisation agenda through the integration of existing systems aims to provide improved services encompassing the support systems integrating Customer Relationship Management, Content Management and the Financial systems. With substantial investment in assets and in the way services are provided there are efficiencies that can be achieved through the medium-to-long term.

The purchasing of goods and services for the best price available was strengthened through the adoption of a Procurement Strategy and establishment of a Procurement Unit. By using the opportunities afforded by the changing systems this will continue to provide additional benefits.

Children and Young People's Services

Education remains a key Government priority. The Dedicated Schools Grant and three-year budgets for schools further guarantee schools funding being ring-fenced and the indications are that this grant will rise above inflation over the next three years.

The major issue facing the education service is that of falling rolls as reflected in local demographic changes and declining population. With fewer primary school places required the Council has agreed to reduce the number of primary schools. The running costs for those closed remain within the schools service, being redistributed, whilst the Council benefits from the sale of the assets.

The Children and Young People Plan and the Every Child Matters agenda see resources being directed towards earlier intervention. Foster care demands, pressures on services for children with learning disabilities, increased residential care costs and legal fees for looked after children cases have all required resources. The Government White Paper 'Care matters' looks to strengthen the corporate parent role as well as education, health and general support.

Adult Social Services

Adult Social Services face similar demand pressures through the demographic changes on Wirral and an increasingly ageing population. As with Childrens Services further resources have been allocated to Adult Social Services over recent years and there has been closer working with Wirral Primary Care Trust to better use the resources available locally.

The Comprehensive Spending Review 2007 will take into consideration the findings of the Wanless report and other studies. These conclude that there is a national need to invest significant sums on health and social care, particularly for older people, with investment on lower level preventative services. The lowest projections reported increases of over 4% per year over the next few years.

Streetscene and Waste

The Government has set targets regarding waste recycling and the diversion of waste away from landfill. The annual increase in Landfill Tax is reflected in the levy upon the Merseyside authorities from the Merseyside Waste Disposal Authority. The Authority is implementing a tonnage-based charge for landfill with this being phased in over a period of time as agreed by the constituent authorities.

Major capital investment is required to achieve the recycling target. The Merseyside Waste Disposal Authority has opened a Material Recycling Facility at Bidston and is pursuing a Private Finance Initiative scheme for residual waste treatment facilities across Merseyside. This will see the levy increasing in stages, 12.5% for 2008/09 and then 15.3% and 14.5% in the following two years.

A revised Environmental Streetscene Services contract commenced in August 2006 covering waste collection, recycling and street cleansing services. The contract incurred investment from 2007/08 and will assist in meeting the recycling targets.

The Council is presently reviewing the arrangements for the procurement of highways and related maintenance services that will be the subject of a revised contract from 2009/10.

In addressing the issue of sustainability work continues on energy efficiency measures and investment into energy schemes, the procurement of goods and services and on enforcement through planning and building regulation.

Community Safety

Crime and the fear of crime is recognised in the Crime and Disorder Reduction Strategy that sets targets to reduce crime. Now within the Local Area Agreement this focuses upon safer and stronger communities initiatives.

Improvements to community safety are within the £200 million of investment into the former Council housing stock achieved with the transfers to Wirral Partnership Homes and Beechwood & Ballantyne Community Housing Association in February 2005. The Community Fund, from the VAT scheme and former Housing Revenue Account balances, offers scope for further projects.

Similarly, the NewHeartlands Housing Market Renewal Initiative sees Wirral, with Liverpool and Sefton, tackling areas of poor quality and unpopular housing accommodation and replacing it with that more suited to modern requirements. Targeted at strategic areas the aims of this long-term Government funded initiative are to secure regeneration and sustainability for the future.

Financial projections

The financial projections are based upon the preceding sections and indicate a shortfall between spend and income. This shortfall will be made up from the Efficiency Plan savings and Council Tax rises. Council has agreed that the Efficiency Plan needs to identify £45 million of savings over the three year period and Council Tax rises of 4% per year have been included.

It should be noted that these projections are based upon assumptions regarding the Comprehensive Spending Review 2007 and subsequent Local Government Finance Settlements. As further information is received this will be reported in the regular updates to Cabinet.

Wherever a financial assessment can be made this has been reflected in the projections and the savings target identified is that required to secure a budget in line with the anticipated resources. At this stage the details of the Efficiency Plan / savings have to be identified and, again, are also subject to fluctuation.

WIRRAL COUNCIL

GENERAL FUND PROJECTIONS

	2008/09	2009/10	2010/11
	£ million	£ million	£ million
BASE BUDGET	260.3	254.0	261.4
IDENTIFIED REQUIREMENTS			
Inflation – Pay	2.7	2.7	2.7
Inflation – Prices	4.2	4.2	4.2
Inflation – Income	-1.1	-1.1	-1.1
Capital financing	4.0	3.5	4.8
Invest-to-save	-0.6	-0.2	-0.2
Waste disposal costs	2.8	3.4	3.8
Pension costs	1.3	1.3	1.3
Merseytravel levy	1.1	1.2	1.2
Unavoidable growth	1.0	1.0	1.0
Efficiency Plan / savings*	-21.7	-8.6	-13.6
Contribution to balances	3.9	-	-
FORECASTED BUDGET	257.9	261.4	265.2
RESOURCES			
Formula Grant	133.8	132.3	130.9
Council Tax	124.1	129.1	134.3
RESOURCES	257.9	261.4	265.2
GENERAL BALANCE	5.0	5.0	5.0

* In June 2007 the Council agreed an efficiency plan target of £45 million over this three year period with this target allocated across the departments. The detailed proposals will be considered during the Autumn of 2007 and will also incorporate any other savings proposals as well as any 'one-off' financial benefits.

6.0 RISK ASSESSMENT

The Council, whilst providing services also assists in the social and economic development of Wirral. The management of risks helps in the achievement of the objectives, improves services and delivers value for money. The Risk Strategy sets out the policy and the framework for risk management which links with the overall planning process and the risk registers. The main financial risks facing the Council are:-

RISK / ACTION	PROBABILITY	IMPACT	ACTIONS TO REDUCE RISK
Efficiency Plan / savings are not delivered	Medium	High	Appraisal of issues at start Regular reporting of progress
Demand for adult social care services increases	Medium	High	Lobbying of Government Regular monitor and report
Health service issues add to Council pressures	Medium	High	Agreements with PCT Effective care management Regular dialogue with sector
Demand for children care services increases	Medium	High	Lobbying of Government Focus upon key areas Regular monitor and report
Cost of waste / recycling services increase	Medium	High	Lobbying of Government Regular monitor and report
Time-limited funding initiatives will not be renewed	Medium	High	Lobbying of Government Annually review schemes
Forecasts of future spending needs under-estimated	Medium	Medium	Regular review of financial and service plans
Government Grant fails to rise with inflation, demographic and legislative changes	Medium	Medium	Lobbying of Government Review projects and hold until resources confirmed
Resources are not targeted towards priorities	Medium	Medium	Re-allocate wherever possible Review regularly
Income targets not achieved	Medium	Medium	Identify the volatile areas Regular financial monitoring
Balance insufficient to meet unforeseen events	Low	Medium	Maintain at adequate level Regular review and monitor
Severe weather and other incidents	Low	Medium	Maintain emergency plans Assessment of balance
Budgetary Control fails to stop overspending	Low	Medium	Identify volatile areas Regular reporting
Forecasts of demographic / other changes	Low	Medium	Review assumptions annually
Forecasts of future spending needs, pay and inflation vary from assumptions	Low	Medium	Inflation low at present Pay awards predicted Regular review of Strategy
Legislative changes including funding not anticipated	Low	Low	Assess Government policy Member of groups (SIGOMA)
Revenue implications of capital projects not included	Low	Low	Reports identify the revenue effects of projects