

# WIRRAL COUNCIL

## FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

13 NOVEMBER 2007

### REPORT OF THE DIRECTOR OF FINANCE

#### PROJECTED BUDGET 2008-2011

#### 1. EXECUTIVE SUMMARY

- 1.1. This report updates the projected budgets for 2008-2011 to coincide with the period of the Comprehensive Spending Review 2007 (CSR). The Department for Communities and Local Government (DCLG) has stated that, following the CSR, the Local Government Finance Settlement will cover the period from 2008 to 2011 and that Local Authorities will be expected to budget on a three year basis.

#### 2. BUDGET 2007-08

- 2.1. The summary budget for 2007-08 as agreed by the Council on 1 March 2007 is as follows:

	£m
Base Budget	260.3
Resources	
Formula Grant	133.9
Council Tax	119.3
Collection Fund	0.4
One Off Specific Grants	0.9
Use of Balances	<u>5.8</u>
	260.3

#### 3. COMPREHENSIVE SPENDING REVIEW

- 3.1. The Comprehensive Spending Review (CSR) 2007, was announced on 9 October 2007. An initial report on the Pre Budget Statement by the Chancellor of the Exchequer including the CSR is presented elsewhere on this agenda. Details of the CSR as it affects individual Government departments will be released over the next few weeks. Particularly important issues will be reported to the Cabinet as they are announced. Following the CSR, the DCLG should announce a three year provisional Local Government Finance settlement in December 2007.

3.2. Local Authorities will then be expected to publish a three year budget covering the period 2008-2011. The detail required to be included in years 2 and 3 has not yet been determined by the DCLG but I would expect it to be at no higher than departmental level.

#### 4. **VARIATIONS IDENTIFIED FOR 2008-2011**

4.1. **Inflation** – Provision is included for pay at 2% and income at 3% for 2008-2011. Provision has been included for price inflation at 2% in line with the Cabinet decision of 24 May 2007.

4.2. **Capital Financing** – Cabinet on 14 December 2006 agreed the capital programme for 2007-2010. I am assuming the following:-

(a) the continuation of the capital programme at the current level.

(b) the capitalisation of highways expenditure.

4.3. **Waste Disposal** – The waste disposal levy is projected to increase by 12.5% for 2008-09, by 15.3% for 2009-2010 and by 14.5% for 2010-2011. The Chancellor of the Exchequer, in his Budget, announced further annual increases in the rate of Landfill Tax which will increase the levy by an additional £1.2m per annum. The levy will be dependent on progress on the implementation of the Waste Disposal Strategy including the PFI scheme.

4.4. **Pension Fund** - The Pension Fund is currently being actuarially revalued as at 31 March 2007. The revised contribution rates should be reported to the Pensions Committee on 26 November 2007 and will be implemented from 2008. I am assuming a continuation of the increases experienced between 2005 and 2008.

4.5. **Merseytravel** – The Merseytravel levy is projected to increase by an average of 5% per annum in addition to the increase for concessionary fares.

4.6. **Concessionary Fares** – The Department for Transport has announced that the total provision for the national concessionary fares scheme will be £212m. This will be distributed by specific grant, the calculation of which will be determined after consultation. I am assuming a pro-rata £1.4m for Wirral.

4.7. **Invest to Save Schemes** – There are a number of invest to save schemes underway in Adult Social Services and Technical Services - Energy Conservation which will produce savings.

4.8. **Time Expired Funding** – There are a number of time expired funding issues to be resolved.

4.9. **Information and Communications Technology** – Implementation of the ICT Strategy agreed by Cabinet on 6 September 2007 will have financial implications, but I am assuming that the cost of ICT investment will be met by increased efficiencies resulting from that investment.

- 4.10. **Private Finance Initiative** – Increase in PFI payments from 2009-2010 as the PFI reserve reduces.
- 4.11. **Benefits Subsidy** – The Department for Work and Pensions has announced that as a result of their CSR reductions, benefits subsidy will be reduced by 3% per annum in real terms, 5% per annum in cash for certain elements of the subsidy.
- 4.12. **Other Unavoidable Growth** – A number of relatively minor items of unavoidable growth of less than £0.2m will arise. These should total less than £1m.

## 5. **OTHER DEVELOPMENTS**

- 5.1. There are a number of other developments which are likely to impact on the financial position of the Authority over the period 2008 to 2011. The impact of these issues will be reported to the Cabinet and reflected in the regular projected budget reports as and when they are resolved. Some of the potentially most important issues are:-
- (a) Changes to Schools Funding issued by the Department for Children, Schools and Families and reported to the Cabinet on 16 August 2007.
  - (b) Welfare Reform Bill currently before Parliament which includes the proposed implementation of Local Housing Allowance from 2008.
  - (c) Revised Local Government Pension Scheme to be introduced from 2008.
  - (d) Review of Treasury Management Code of Practice to be introduced from 2008.
  - (e) Review of Neighbourhood Renewal Fund. The DCLG has confirmed that this will be replaced by an enterprise and renewal fund the details of which are awaited.
  - (f) Review of the Local Authority Business Growth Incentive Scheme. A consultation paper on a revised scheme to commence in 2009 should be reported to Cabinet on 14 November 2007.
  - (g) Review of Planning Delivery Grant which is likely to be retitled Housing and Planning Delivery Grant.
  - (h) Review of Supporting People Grant.
  - (i) Review of Empty Property Rating, reported to Cabinet on 20 September 2007.

- (j) A White Paper on the possible introduction of supplementary business rates which should be reported to Cabinet on 14 November 2007.

## 6. **BALANCES**

- 6.1. Balances are currently maintained at £4.5m but an undertaking has been given to the District Auditor to increase to £5m for 2008-09.
- 6.2. Closure of the Accounts for 2006-07, has resulted in a net contribution of £0.9m to General Fund balances.
- 6.3. Cabinet on 26 April 2007 agreed to meet the loss of income of £0.3m from the Floral Pavilion Theatre closure from balances.
- 6.4. Currently there are projected overspendings in excess of £5m for 2007-08. I am assuming that Chief Officers will contain these projected overspendings and so no provision has been made for such in the projected budgets for 2008-2011.
- 6.5. Cabinet on 4 October 2007 agreed to transfer £0.5m from reserves and provisions into General Fund balances.

- 6.6. The projected balances are:-

	£m
Opening Balance 1 April 2007	4.5
Out-turn 2006-07	0.9
Floral Pavilion Theatre	- 0.3
Reserves and Provisions	<u>0.5</u>
Projected Balance 31 March 2008	5.6

## 7. **GRANTS**

- 7.1. The Formula Grant is anticipated to increase by an average of 0.9% per annum in real terms in the CSR. This is the national increase indicated in the CSR but Wirral usually receives below the national increase primarily because of the declining population.
- 7.2. The Department for Transport has indicated that as a result of the extension of free bus travel for pensioners throughout the country, there will be a grant increase of £212m. The method of grant distribution has yet to be agreed but Wirral should receive about £1.4m. A report on the consultation options is included elsewhere on this agenda.
- 7.3. The DCLG has indicated that the continuation of the Local Authority Business Growth Incentive scheme will be subject to consultation but is unlikely to be changed before 2009.

7.4. The Chancellor of the Exchequer indicated in his Pre Budget statement on 6 December 2006 that the efficiency target for Local Authorities for the period of the CSR would be increased from 2.5%, of which 50% is cashable, to 3% all cashable. This efficiency saving is expected to be reflected in a reduction in the Formula Grant.

7.5. The CSR has confirmed that there will be a major reduction in specific grants over the period of the CSR.

## **8. ADDRESSING THE SHORTFALL**

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

8.2. Cabinet on 24 January 2007 agreed to an efficiency plan for 2008 to 2011 aimed at delivering savings totalling £30m. Chief Officers were due to report to the Cabinet on 20 June 2007 detailing how their apportioned element of the efficiency plan would be delivered. Cabinet on 7 June 2007 agreed an increased efficiency plan target of £45m in line with the previous projected budget report. Chief Officers are still working to deliver proposals to meet these targets.

8.3. Cabinet on 20 June 2007 agreed to the establishment of an efficiency investment fund of £2m to enable delivery of future efficiencies.

8.4. Cabinet on 6 September 2007 agreed a savings package totalling £3.5m.

8.5. Cabinet on 4 October 2007 agreed a savings package totalling a further £3.5m.

8.6. I am assuming an annual Council Tax increase of 4%.

8.7. The CSR states that the Council Tax capping limit will remain at 5%.

## **9. FINANCIAL IMPLICATIONS**

9.1. The indicative budget for 2008 to 2011 is compiled from the base budget for 2007-08 approved by Council 1 March 2007, the Medium Term Financial Strategy 2008-2011 agreed by the Cabinet on 6 September 2007, 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 – October 2007  
Medium Term Financial Strategy – 2008-2011  
Formula Grant Settlement 2007-08 –DCLG – January 2007  
Estimates 2007-08

**18. RECOMMENDATION**

18.1. That the projected budget for 2008 to 2011 be updated and reported regularly to the Cabinet.

IAN COLEMAN  
DIRECTOR OF FINANCE

FNCE/264/07

**WIRRAL COUNCIL**  
**PROJECTED BUDGETS 2008-2011**

	2008-09	2009-2010	2010-2011
	£M	£M	£M
Base Budget	260.3	257.4	260.8
Pay Inflation	2.7	2.7	2.7
Price Inflation	4.2	4.2	4.2
Income Inflation	- 1.1	- 1.1	- 1.1
Capital Financing	3.4	2.7	3.0
Waste Disposal	2.8	3.4	3.8
Pension Fund Revaluation	1.3	1.3	1.3
Merseytravel	2.5	1.2	1.2
Concessionary Fares	- 1.4	-	-
Private Finance Initiative	-	0.8	1.5
Benefits Subsidy	0.7	0.7	0.7
Unavoidable Growth	1.0	1.0	1.0
Invest To Save	- 0.6	- 0.2	- 0.2
Efficiency Investment Fund	2.0	2.0	2.0
Savings Agreed	- 7.0	-	-
Forecast Expenditure	270.8	276.1	280.9
Resources			
Formula Grant	133.3	131.7	130.0
Council Tax	119.3	124.1	129.1
Forecast Resources	252.6	255.8	259.1
Shortfall	18.2	20.3	21.8
Council Tax Increase	4.8	5.0	5.2
Efficiency Plan	13.4	15.3	16.6