

WIRRAL COUNCIL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

19 MARCH 2008

REPORT OF THE DIRECTOR OF FINANCE

INDICATIVE BUDGETS 2009-2011

1. EXECUTIVE SUMMARY

- 1.1. This report presents the indicative budgets for 2009-2011 to coincide with the period of the Comprehensive Spending Review 2007 (CSR). This report was presented to the Cabinet on 13 March 2008

2. BUDGET 2008-09

- 2.1. The summary budget for 2008-09 as agreed by the Council on 3 March 2008 is as follows:

	£m
Base Budget	302.6
Resources	
Formula Grant	147.4
Area Based Grant	28.4
Council Tax	123.2
Collection Fund	- 0.5
Use of Balances	<u>4.1</u>
	302.6

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 was presented to the Cabinet on 1 November 2007. The Department for Communities and Local Government (DCLG) announced the three year provisional Local Government Finance settlement on 6 December 2007 and the final settlement on 24 January 2008.

4. **VARIATIONS IDENTIFIED FOR 2009-2011**

- 4.1. **Inflation** – Provision is included for pay and prices at 2% and for income at 3% for 2009-2011.
- 4.2. **Capital Financing** – Cabinet on 12 December 2007 agreed the capital programme for 2008-2011.
- 4.3. **Highways Maintenance** – provision is included for the transfer of highways expenditure to the revenue budget from the capital budget.
- 4.4. **Waste Disposal** – The waste disposal levy is projected to increase by 15.4% per annum.
- 4.5. **Pension Fund** - The Pension Fund has been actuarially revalued as at 31 March 2007. The Implementation of the revised contribution rates was agreed by the Cabinet on 12 December 2007.
- 4.6. **Merseytravel** – The Merseytravel levy is projected to increase by an average of 4% per annum.
- 4.7. **Invest to Save Schemes** – There are a number of invest to save schemes underway which will produce savings.
- 4.8. **Private Finance Initiative** – Increase in PFI payments from 2009-2010 as the PFI reserve reduces.
- 4.9. **Benefits Subsidy** – The Department for Work and Pensions has announced that benefits subsidy will be reduced by 3% per annum in real terms, 5% per annum in cash for certain elements of the subsidy.
- 4.10 **Local Area Agreement** – The Reward Grant should be receivable from 2009-10.
- 4.11. **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 2009 to 2011. The impact of these issues will be reported to the Cabinet as and when they are resolved. Some of the potentially most important issues are:-

- (a) Implementation of Local Housing Allowance from 2008.
- (b) Revised Local Government Pension Scheme to be introduced from 2008.
- (c) Review of Treasury Management Code of Practice to be introduced from 2008.
- (d) Review of the Local Authority Business Growth Incentive Scheme. A consultation paper on a revised scheme to commence in 2009 was reported to the Cabinet on 29 November 2007
- (e) Review of Planning Delivery Grant which is likely to be retitled Housing and Planning Delivery Grant.
- (f) Review of Supporting People Grant to be undertaken in 2009 with the grant to be absorbed into the Area Based Grant from 2009-10.
- (g) A White Paper on the possible introduction of supplementary business rates which was reported to Cabinet on 29 November 2007.
- (h) Review of the Area Cost Adjustment to be implemented in 2009-10.
- (i) Review of the population statistics to include a review of the effects of recent migration.
- (j) Review of the funding of social care.

5.2. Many of these developments could impact on the grants receivable for 2009-2011. The grants announced by the DCLG as part of the three year financial settlement are only indicative.

6. BALANCES

6.1. The balances for 2008-09 have been set at £5m but the Audit Commission has restated its view that balances should be a minimum of 2% of the net revenue budget which for Wirral would be £6m.

7. EFFICIENCY PLAN

- 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. Cabinet on 24 January 2007 agreed to an efficiency plan for 2008 to 2011 aimed at delivering savings totalling £30m. Cabinet on 7 June 2007 agreed an increased efficiency plan target of £45.4m to be delivered as follows:-

DEPARTMENT	2008-09 £000	2009-10 £000	2010-11 £000
Adult Social Services	7,020	4,810	4,950
Children and Young People	4,060	2,780	2,870
Corporate Services	890	610	630
Finance	1,800	1,230	1,270
Regeneration	3,140	2,140	2,210
Technical Services	2,090	1,430	1,470
	19,000	13,000	13,400

- 7.3. In agreeing the budget for 2008-09 the Cabinet agreed to efficiencies totalling £16.1m. These efficiencies were agreed throughout 2007-08 as part of the efficiency plan. The revised efficiency plan target for 2008-2011 is now £39.9m.
- 7.4. The revised efficiency plan targets for 2009-11 taking into account the efficiencies already delivered are:-

Department	2008-11	Achieved 2008-09	Target 2009-10	Target 2010-11
	£000	£000	£000	£000
Adult Social Services	13,250	4,850	4,620	3,780
Children and Young People	7,670	3,400	2,350	1,920
Corporate Services	1,680	390	710	580
Finance	3,400	2,060	740	600
Regeneration	5,930	370	3,060	2,500
Technical Services	3,950	1010	1,620	1,320
Procurement	2,250	2,250		
Asset Management	1,000	1,000		
Pension Fund	800	800		
	39,930	16,130	13,100	10,700

- 7.5. I am assuming an annual Council Tax increase of 4%.
- 7.6. The CSR states that the Council Tax capping limit will remain at 5%.

8. FINANCIAL IMPLICATIONS

- 8.1. The indicative budgets for 2009 to 2011 are compiled from the base budget for 2008-09 approved by Council on 3 March 2008, 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 indicative budgets are shown in the Appendix.

9. STAFFING IMPLICATIONS

- 9.1. There are none arising from this report.

10. EQUAL OPPORTUNITIES IMPLICATIONS

- 10.1. There are none arising from this report.

11. HUMAN RIGHTS IMPLICATIONS

- 11.1. There are none arising from this report.

12. LOCAL AGENDA 21 IMPLICATIONS

- 12.1. There are none arising from this report.

13. COMMUNITY SAFETY IMPLICATIONS

- 13.1. There are none arising from this report.

14. PLANNING IMPLICATIONS

- 14.1. There are none arising from this report.

15. LOCAL MEMBER SUPPORT IMPLICATIONS

- 15.1. There are none arising from this report.

16. BACKGROUND PAPERS

- 16.1. Comprehensive Spending Review – Treasury – October 2007
Medium Term Financial Strategy – 2008-2011
Formula Grant Settlement 2008-09 –DCLG – January 2008
Estimates 2008-09

17. RECOMMENDATIONS

17.1. That the indicative budgets for 2009 to 2011 be noted.

17.2. That the projected budget be reported regularly to the Cabinet and to this Committee.

17.3. That the revised efficiency plan targets be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/57/08

WIRRAL COUNCIL
INDICATIVE BUDGETS 2009-2011

	2009-2010	2010-2011
	£m	£m
Base Budget	299.6	322.0
Pay Inflation	3.4	3.4
Price Inflation	3.6	3.6
Income Inflation	- 1.0	- 1.0
Capital Financing	3.1	3.1
Highways	3.7	-
Waste Disposal	2.2	2.5
Pension Fund Revaluation	0.5	0.5
Merseytravel	1.0	1.0
Private Finance Initiative	0.4	1.0
Benefits Subsidy	0.7	0.7
Area Based Grant	2.5	- 0.4
Local Area Agreement	- 1.2	-
Supporting People	10.3	-
Unavoidable Growth	1.0	1.0
Invest To Save	-1.0	-0.2
Efficiency Investment Fund	5.3	5.3
Balances	1.0	-
Forecast Expenditure	335.1	342.5
Resources		
Formula Grant	152.7	157.9
Area Based Grant	41.2	40.7
Council Tax	123.2	128.1
Forecast Resources	317.1	326.7
Shortfall	18.0	15.8
Council Tax Increase	4.9	5.1
Efficiency Plan	13.1	10.7

WIRRAL COUNCIL

INDICATIVE BUDGETS 2009-2011

	2008-09	2009-10	2010-11
	£m	£m	£m
Expenditure			
Adult Social Services	86.6	82.1	80.1
Children and Young People	70.6	70.9	70.8
Corporate Services	6.4	5.7	5.4
Finance	16.0	16.3	16.9
Regeneration	41.2	50.5	49.0
Technical Services	35.5	40.5	42.5
Treasury Management	11.2	19.8	30.8
Merseytravel	25.3	26.3	27.3
Local Pay Review	4.5	4.6	4.7
Asset Management	-	-1.0	-1.0
Efficiency Fund	5.3	5.3	5.3
Balances	<u>-3.0</u>	<u>1.0</u>	<u>-</u>
Budget Requirement	299.6	322.0	331.8